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BACKGROUND MATERIAL AND DATA ON PROGRAMS WITHIN THE JURISDICTION OF THE COMMITTEE ON WAYS AND MEANS

FEBRUARY 21, 1984

Prepared for the use of the Committee on Ways and Means by its staff

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PREFACE

This document has been prepared for the use of the Committee on Ways and Means by its staff in conjunction with the committee's consideration of possible revisions in the various programs under its jurisdiction.

The book is divided into four parts:

Part 1—Description of programs providing benefits or services to individuals within the jurisdiction of the Committee on Ways and Means.

Part 2—Description of trust funds for which the Committee on Ways and Means has revenue jurisdiction.

Part 3—Revenues.

Part 4—Other matters within the jurisdiction of the Committee on Ways and Means including public debt, the Pension Benefit Guarantee Corporation, and capital construction funds.

Within part 1, there are summary tables indicating the relative size and recent growth of the individual programs. For each of the programs, there is extensive information on:

(a) Who is eligible for the program;
(b) How the payment is actually computed;
(c) How the program is financed, and for programs financed from trust funds, the shortrun and longrun financial solvency of those funds;
(d) Characteristics of individuals served by the program;
(e) Interactions with other major programs, and
(f) Historical information about how the program has evolved.

For the programs described in part 2, a brief legislative history, the current financing mechanism, and the financial status of the trust fund is presented.

Finally, the document contains 13 appendices setting out in detail:

(a) Statistical history of the social security programs;
(b) Tables describing the demographic and economic resources of the elderly;
(c) National health expenditures and health care expenditures of the elderly;
(d) How medicare reimburses hospitals and doctors;
(e) A description of the medicaid program;
(f) Unemployment data and historical tables on unemployment compensation;
(g) A short description of the food stamp program;
(h) A short description of the low-income energy assistance program;

(i) A brief explanation of all legislative changes enacted during 1983 to spending programs within the jurisdiction of the Committee on Ways and Means;

(j) Selected economic and poverty data;

(k) Examples illustrating the interactions between AFDC, social security, SSI, medicaid, food stamps, unemployment compensation, and the tax system as earnings increase for aged couples, a family of four receiving unemployment compensation, and a female-headed household receiving public assistance;

(l) A description of quality control statistics.

The committee wishes to express its appreciation to the many individuals for their contributions and long hours toward completing this project. In particular the committee wishes to recognize:

(1) The Congressional Research Service of the Library of Congress for assistance in preparing sections 7 and 9 of part 1, section 2 of part 3, and Appendices C, D, E, F, G, H, K, L, and M; their assistance in updating the tables in sections 7, 8, and 11;

(2) The Congressional Budget Office for their analysis of the impact of the 1983 legislative changes described in Appendix I, for the summary tables in section 1 of part 1 and the projections of the OASI, DI, and HI trust funds;

(3) The Office of Research, Statistics, and International Policy (Social Security Administration) for its assistance in updating the tables in sections 2, 3, 8, and 10 of part 1, Appendix A, and for some of the tables in Appendix B;

(4) The Health Care Financing Administration for updating tables in section 4 of part 1 and Appendices C, D, and E;

(5) The Office of the Actuary (Social Security Administration) for assistance with section 5 of part 1;

(6) The Department of Labor for their assistance in updating tables in sections 6 and 7 of part 1 and Appendix F; and

(7) The staff of the Railroad Retirement Board for their assistance in updating section 13 and preparing section 14 in part 2.

This material has been assembled in a limited amount of time in order that it be available to the Members for use in connection with their deliberations on various budget issues presently pending before the committee. Comments as to how the contents or format of this document could be improved are most appreciated and will help in future revisions so that it can better serve as a resource tool.

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PART 1

DESCRIPTION OF PROGRAMS WITHIN THE JURISDICTION OF THE COMMITTEE ON WAYS AND MEANS PROVIDING BENEFITS OR SERVICES TO INDIVIDUALS

Section 1.—Summary Tables Illustrating Growth of Federal Expenditures for Programs Under Ways and Means Jurisdiction

SUMMARY TABLE 1.—TOTAL FEDERAL EXPENDITURES FOR SPENDING PROGRAMS UNDER WAYS AND MEANS JURISDICTION FOR FISCAL YEARS 1970, 1975, 1980, 1982, AND 1983

[In billions of dollars]

Programs	Fiscal year (actual)—				
	1970	1975	1980	1982	1983
Social Security (OASDI)	30.3	64.7	118.5	155.9	172.3
Social Security (OASI)	(27.3)	(56.7)	(103.2)	(137.9)	(154.0)
Social Security (DI)	(3.0)	(8.0)	(15.3)	(18.0)	(18.3)
Medicare	7.2	14.8	35.0	50.5	56.9
Medicare—Part A	(5.0)	(10.6)	(24.3)	(34.9)	(38.6)
Medicare—Part B	(2.2)	(4.2)	(10.7)	(15.6)	(18.3)
Trade adjustment assistance	(1)	(1)	1.6	.1	(1)
Unemployment insurance, regular benefits	3.3	11.2	13.4	21.2	23.0
Unemployment insurance, extended benefits and Federal supplemental compensation	(1)	2.1	1.1	1.9	8.0
Aid to families with dependent children (AFDC) (includes foster care and child support enforcement)	2.8	5.1	7.3	8.0	8.8
Supplemental security income (SSI)	[2] 2.0	4.7	6.4	7.7	8.7
Title XX social services program	.5	2.0	2.7	2.6	2.5
Title IV-B child welfare program	(3)	.1	.1	.2	.2
Earned income tax credit [4]	(1)	1.3	1.3	1.2	1.2
Total [5]	46.1	106.0	187.4	249.3	281.7

[1] No program or outlays less than $50,000,000.

[2] Adult cash welfare programs that preceded SSI.

[3] $46,000,000.

[4] These amounts reflect only the outlay portion of the credit.

[5] Totals may not add due to rounding.

Note.—Included in "Unemployment insurance, regular benefits" are regular benefits, unemployment compensation for ex-service members and Federal employees and Federal and State administrative costs. "Unemployment insurance, extended benefits" includes special unemployment assistance and Federal supplemental benefits. Medicare Part B expenditures have not been adjusted by subtracting premiums paid by Part B enrollees.

Source: Various OMB Budget Appendixes.

SUMMARY TABLE 2.—TOTAL FEDERAL EXPENDITURES IN CONSTANT 1983 DOLLARS FOR SPENDING PROGRAMS UNDER WAYS AND MEANS JURISDICTION FOR FISCAL YEARS 1970, 1975, 1980, 1982, AND 1983 [1]

[In billions of dollars]

Programs	Fiscal year—				
	1970	1975	1980	1982	1983
Social Security (OASDI)	74.1	117.3	145.3	163.7	172.3
Social Security (OASI)	(66.7)	(102.8)	(126.5)	(144.8)	(154.0)
Social Security (DI)	(7.3)	(14.5)	(18.8)	(18.9)	(18.3)
Medicare	17.6	26.8	42.9	53.0	56.9
Medicare—Part A	(12.2)	(19.2)	(29.8)	(36.6)	(38.6)
Medicare—Part B	(5.4)	(7.6)	(13.1)	(16.4)	(18.3)
Trade adjustment assistance	(2)	(2)	2.0	.1	(2)
Unemployment insurance, regular benefits	8.1	20.3	16.4	22.3	23.0
Unemployment insurance, extended benefits and Federal supplemental compensation	(2)	3.8	1.3	2.0	8.0
Aid to families with dependent children (AFDC) (includes foster care)	6.8	9.2	9.0	8.4	8.8
Supplemental security income (SSI)	[3] 4.9	8.5	7.8	8.1	8.7
Title XX social services programs	1.2	3.6	3.3	2.7	2.5
Title IV-B child welfare program	.1	.2	.1	.2	.2
Earned income tax credit	(2)	2.4	1.6	1.3	1.2
Total	112.8	192.1	229.7	261.8	281.7

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[1] The expenditures in Table 1 were converted into constant 1983 dollars using the CPI-X1 consumer price index.

[2] No program or outlays less than $50,000,000.

[3] Adult cash welfare programs that preceded SSI.

SUMMARY TABLE 3.—AVERAGE NUMBER OF RECIPIENTS IN PROGRAMS UNDER WAYS AND MEANS JURISDICTION FOR FISCAL YEARS 1970, 1975, 1980, 1982, AND 1983

[Numbers in thousands]

Programs	Fiscal year—				
	1970	1975	1980	1982	1983
Social Security (OASI) [1]	22,827	26,941	30,466	31,809	32,137
Social Security (DI) [1]	2,488	3,911	4,770	4,337	3,916
Medicare—Part A [2]	20,000	23,700	27,400	28,642	29,127
Medicare—Part B [2]	19,200	23,300	27,100	28,223	28,624
Trade adjustment assistance [3]	([4])	([4])	532	30	30
Unemployment insurance, regular benefits [5]	1,071	2,902	2,698	3,332	3,353
Aid to families with dependent children (AFDC) (includes foster care) [6]	7,426	11,078	10,499	10,424	10,641
Earned income tax credit [7]	([4])	6,215	6,954	6,357	NA
Supplemental security income (SSI)	[8] 2,958	[6] 4,096	4,160	3,562	3,509

[1] Number enrolled at mid-point of fiscal year.

[2] Persons with protection.

[3] Total number of recipients throughout the year.

[4] No program or outlays less than $50,000,000.

[5] Average weekly number.

[6] Average monthly number.

[7] Calendar year—number of families receiving EITC.

[8] Number at mid-point of fiscal year in adult cash welfare programs that preceded SSI.

NA—Not available.

Note.—Figures represent an estimate of the number of recipients at a given point during the year—not all recipients during the entire year.

Source: Various OMB Budget Appendices.

SUMMARY TABLE 4.—AVERAGE EXPENDITURE PER RECIPIENT (ENROLLEE) FOR PROGRAMS UNDER WAYS AND MEANS JURISDICTION FOR FISCAL YEARS 1970, 1975, 1980, 1982, AND 1983

[In dollars]

Programs	Fiscal year—				
	1970	1975	1980	1982	1983
Social Security (OASI) (annual)	1,197	2,104	3,387	4,336	4,792
Social Security (DI) (annual)	1,206	2,040	3,208	4,158	4,673
Medicare:					
Part A (annual)	248	448	886	1,217	1,325
Part B (annual)	114	179	396	551	639
Trade adjustment assistance (weekly) [1]	([2])	([2])	126	119	115
Unemployment insurance, regular benefits (weekly) [1]	46	66	96	114	120
Aid to families with dependent children (AFDC) (includes foster care) (annual)	372	464	649	766	826
Earned income tax credit [1, 4]	([2])	201	286	277	NA
Supplemental security income (SSI) (annual)	[3] 672	1,145	1,547	2,155	2,486

[1] Benefit amount; does not include administrative costs.

[2] No program or outlays less than $50,000,000.

[3] Adult cash welfare programs that preceded SSI.

[4] Calendar year average per family.

NA—Not available.

Note.—Average annual benefits to AFDC recipients are higher than shown because States contribute 46 percent of total benefits. Amounts shown include only the Federal portion.

Source: Various OMB Budget Appendices.

SUMMARY TABLE 5.—AVERAGE EXPENDITURE IN CONSTANT 1983 DOLLARS PER RECIPIENT (ENROLLEE) FOR PROGRAMS UNDER WAYS AND MEANS JURISDICTION FOR FISCAL YEARS 1970, 1975, 1980, 1982, AND 1983

[In dollars]

Programs	Fiscal year—				
	1970	1975	1980	1982	1983
Social Security (OASI) (annual)	2,924	3,815	4,153	4,554	4,792
Social Security (DI) (annual)	2,946	3,699	3,934	4,367	4,673
Medicare:					
Part A (annual)	606	812	1,086	1,278	1,325
Part B (annual)	278	325	486	579	639
Trade adjustment assistance (weekly)	(1)	(1)	155	125	115
Unemployment insurance, regular benefits (weekly)	112	120	118	120	120
Aid to families with dependent children (AFDC) (includes foster care) (annual)	909	841	796	805	826
Earned income tax credit	(1)	364	351	291	NA
Supplemental security income (SSI)[2] (annual)	1,641	2,076	1,897	2,263	2,486

[1] No program or outlays less than $50,000,000.

[2] Adult cash welfare programs that preceded SSI.

NA—Not available.

Note.—The average expenditure (benefit) in table 4 was converted into constant 1983 dollars using the CPI-X1 consumer price index.

SUMMARY TABLE 6.—CBO BASELINE PROJECTIONS FOR PROGRAMS WITHIN THE JURISDICTION OF THE COMMITTEE ON WAYS AND MEANS FOR FISCAL YEARS 1984, 1985, 1986, 1987, AND 1988

[In billions of dollars]

	1984	1985	1986	1987	1988
Social security	182.0	193.2	205.8	220.1	235.8
OASI	163.1	174.0	186.4	200.1	214.5
DI	18.9	19.2	19.4	20.1	21.3
Medicare	65.6	75.2	84.0	94.9	107.5
Health insurance	44.4	50.7	55.7	62.3	69.9
Supplementary medical insurance	21.2	24.5	28.3	32.6	37.6
Trade adjustment assistance	([1])	.1	.1	.1	.1
Unemployment assistance	21.2	18.6	17.6	17.7	18.1
AFDC	8.0	7.9	8.2	8.5	8.8
Child support	.6	.6	.7	.7	.8
Earned income tax credit	1.1	1.0	1.0	.9	.9
SSI	8.3	9.3	9.7	10.2	11.6
Social services (title XX)	2.8	2.7	2.7	2.7	2.7
Child welfare, foster care, adoption assistance	.6	.7	.7	.8	.8
SMI premiums	−4.9	−5.8	−6.3	−6.8	−7.3
Total	285.3	303.5	324.2	349.8	379.8

[1] Less than $50 million.

Note.—SSI estimates include 13 months of benefits in fiscal year 1988. Fiscal year 1984 includes 11 months of benefits.

Source: Congressional Budget Office.

SUMMARY TABLE 7.—BASELINE REVENUE PROJECTIONS BY SOURCE

[By fiscal year, in billions of dollars]

	1983 actual	Projections					
		1984	1985	1986	1987	1988	1989
Individual income taxes	288.9	293.6	328.7	361.6	396.0	437.7	477.9
Corporate income taxes	37.0	62.3	64.8	71.1	81.3	84.9	85.1
Social insurance taxes	209.0	237.3	268.6	295.6	319.6	354.4	382.1
Excise taxes:							
Windfall profit taxes	13.0	8.5	7.0	5.4	4.4	4.1	3.8
Other	22.3	29.2	30.6	27.3	27.5	28.4	29.4
Estate and gift taxes	6.1	5.9	5.6	5.1	4.6	4.3	4.7
Customs duties	8.7	10.2	11.3	11.6	11.8	12.2	12.8
Miscellaneous receipts	15.6	16.0	16.3	17.1	18.0	19.0	20.0
Total baseline revenues	600.6	663.0	732.9	794.8	863.4	945.0	1,015.6

SUMMARY TABLE 8.—FEDERAL REVENUES BY SOURCE AS A PERCENTAGE OF TOTAL REVENUES FOR FISCAL YEARS 1970, 1975, 1980, 1983, 1985, AND 1988

Revenue source by type of tax	Fiscal year—					
	1970	1975	1980	1983	1985	1988
Individual income	46.7	43.6	47.2	47.2	44.8	46.3
Corporate income	16.9	14.5	12.5	6.6	8.8	9.0
Social insurance	23.4	30.8	30.5	35.0	36.6	37.5
Excise	8.1	5.9	4.7	6.2	5.1	3.4
Estate and gift	1.9	1.6	1.2	1.0	.8	.5
Other	3.0	3.6	3.9	4.0	3.7	3.3
Total	100.0	100.0	100.0	100.0	100.0	100.0

SUMMARY TABLE 9.—WAYS AND MEANS PROGRAM OUTLAYS COMPARED WITH TOTAL FEDERAL GOVERNMENT OUTLAYS FOR SELECTED YEARS

[In billions of dollars]

	1970	1975	1980	1983	1985	1988[1]
Social security (including medicare)	37.5	79.5	153.5	229.2	268.4	343.3
Unemployment compensation and trade adjustment assistance	3.3	13.3	16.1	31.0	18.7	18.2
Public assistance and social services (AFDC, SSI, title XX, EITC, and child welfare programs)	5.3	13.2	17.8	21.4	22.2	25.6
Other entitlement programs	21.9	51.5	92.0	118.5	116.0	143.0
Nondefense discretionary spending	43.6	75.6	141.2	143.8	161.1	188.6
National defense	81.7	86.5	134.0	210.0	263.4	372.0
Net interest	14.4	23.2	52.5	90.0	126.6	194.6
Offsetting receipts	−11.7	−18.4	−30.4	−48.0	−48.7	−58.6
Total	195.7	324.2	576.7	795.9	927.7	1,226.7

[1] Based upon CBO baseline current law projections.

SUMMARY TABLE 10.—WAYS AND MEANS PROGRAM OUTLAYS COMPARED WITH TOTAL FEDERAL OUTLAYS IN PERCENTAGE TERMS FOR SELECTED YEARS

	1970	1975	1980	1983	1985[1]	1988[1]
Social security (including medicare)	19.2	24.5	26.6	28.8	28.9	28.0
Unemployment compensation and trade adjustment assistance	1.7	4.1	2.8	3.9	2.0	1.5
Public assistance and social services (AFDC, SSI, title XX, EITC, low income energy assistance and child welfare programs)	2.7	4.1	3.1	2.7	2.4	2.1
Other entitlement programs	11.2	15.9	15.9	14.9	12.5	11.6
Nondefense discretionary spending	22.3	23.3	24.5	18.1	17.4	15.4
National defense	41.7	26.7	23.2	26.4	28.4	30.3
Net interest	7.4	7.2	9.1	11.3	13.6	15.9
Offsetting receipts	−6.0	−5.7	−5.3	−6.0	−5.2	−4.8
Total	100.0	100.0	100.0	100.0	100.0	100.0
Ways and Means programs as percent of total Federal Government outlays, less interest	25.4	35.2	35.7	39.9	38.6	37.5

[1] Based on CBO baseline current law projections.

SUMMARY TABLE 11.—NET OUTLAY IMPACT OF LEGISLATIVE CHANGES ENACTED DURING 1981, 1982, AND 1983 ON PROGRAMS WITHIN THE JURISDICTION OF THE COMMITTEE ON WAYS AND MEANS

[In millions of dollars]

	Fiscal year—				
	1982	1983	1984	1985	1986
Trade adjustment assistance	−1,100	−930	−550	−555	−560
Social security:					
Outlays	−1,700	−4,244	−6,803	−7,366	−8,337
Taxing benefits [1]	0	0	−894	−3,167	−3,769
Unemployment compensation: [2]					
Outlays	−1,030	−3,317	−432	−461	−424
FSC	45	5,613	3,500	1,200	....
Lowering UC thresholds [3]	0	−691	−741	−580	−524
Aid to families with dependent children and child support enforcement [4]	−744	−862	−971	−1,053	−1,072
Supplemental security income	32	122	655	758	761
Social services block grant	−699	−748	−604	−710	−815
Medicare:					
Hospital insurance [5]	−360	−2,477	−3,677	−5,069	−4,517
Supplementary medical insurance	−175	−544	−1,152	−1,976	−2,517
Total:					
Outlays	−5,731	−7,387	−10,034	−15,232	−17,481
Outlays and benefit tax changes	−5,731	−8,078	−11,669	−18,979	−21,774

[1] Negative sign indicates loss in benefits as a result of taxation.

[2] Does not include interest deferral provisions.

[3] U.S. Department of the Treasury estimate. Negative sign indicates loss in benefits as a result of taxation.

[4] Estimate changed from last year primarily because of reduced savings from retrospective accounting, monthly reporting, and the recovery of overpayments provisions. See table 18 in section 8.

[5] Prospective payment savings assume the TEFRA provisions were extended. See table 3, app. I.

SUMMARY TABLE 12.—PERCENTAGE CHANGE IN BENEFITS TO INDIVIDUALS RESULTING FROM LEGISLATIVE CHANGES ENACTED DURING 1981, 1982, AND 1983 ON PROGRAMS WITHIN THE JURISDICTION OF THE COMMITTEE ON WAYS AND MEANS[1]

	Fiscal year—				
	1982	1983	1984	1985	1986
Trade adjustment assistance	−92.9	−96.6	−93.2	−90.2	−84.8
Social Security:					
Outlays	−1.1	−2.4	−3.6	−3.7	−4.1
Outlays and taxing benefits[1]	−1.1	−2.4	−4.1	−5.3	−5.7
Unemployment compensation:[2]					
Outlays including FSC	−4.9	8.0	16.9	4.1	−2.3
Outlays, FSC, and lowering UC thresholds[3]	−4.9	5.6	11.2	.9	−5.3
Aid to families with dependent children and child support enforcement[4]	−8.5	−9.3	−10.2	−10.9	−10.8
Supplement security income	.4	1.4	8.5	8.8	8.5
Social services block grant	−21.4	−23.0	−17.7	−20.8	−23.2
Medicare:					
Hospital insurance[5]	−1.0	−6.0	−7.7	−9.1	−7.5
Supplemental medical insurance	−1.1	−2.9	−5.2	−7.5	−8.2
Total:					
Outlays	−2.3	−2.6	−3.4	−4.7	−5.1
Outlays and benefit tax changes	−2.3	−2.8	−3.9	−5.9	−6.3

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[1] Negative sign indicates loss in benefits as a result of taxation.

[2] Does not include interest deferral provisions.

[3] U.S. Department of the Treasury estimate. Negative sign indicates loss in benefits as a result of taxation.

[4] Estimate changed from last year primarily because of reduced savings from retrospective accounting, monthly reporting, and the recovery of overpayments provisions. See table 18 in section 8.

[5] Prospective payment savings assume the TEFRA provisions were extended. See table 3, app. I.

SUMMARY TABLE 13.—BASELINE BUDGET PROJECTIONS UNDER ALTERNATIVE ECONOMIC ASSUMPTIONS (BY FISCAL YEAR)

	1984	1985	1986	1987	1988	1989
	In billions of dollars					
Baseline revenues:						
High-growth alternative	668	750	825	913	1,024	1,137
CBO baseline projection	663	733	795	863	945	1,016
Low-growth alternative	660	727	754	782	843	890
Baseline outlays:						
High-growth alternative	850	917	995	1,089	1,202	1,323
CBO baseline projection	853	928	1,012	1,112	1,227	1,342
Low-growth alternative	856	936	1,020	1,112	1,200	1,280
Baseline unified budget deficit:						
High-growth alternative	182	168	170	176	178	186
CBO baseline projection	190	195	217	248	282	326
Low-growth alternative	196	209	267	329	357	390
	As a percent of GNP					
Baseline revenues:						
High-growth alternative	18.6	18.8	18.8	18.9	19.2	19.2
CBO baseline projection	18.6	18.7	18.7	18.7	19.0	18.9
Low-growth alternative	18.6	18.8	18.5	18.5	18.6	18.7
Baseline outlays:						
High-growth alternative	23.7	23.1	22.7	22.6	22.6	22.4
CBO baseline projection	23.9	23.7	23.8	24.1	24.6	24.9
Low-growth alternative	24.1	24.2	25.0	26.2	26.5	26.9
Baseline unified budget deficit:						
High-growth alternative	5.1	4.2	3.9	3.7	3.3	3.1
CBO baseline projection	5.3	5.0	5.1	5.4	5.6	6.1
Low-growth alternative	5.5	5.4	6.5	7.8	7.9	8.2

Source: Congressional Budget Office.

SUMMARY TABLE 14.—ECONOMIC ASSUMPTIONS (BY CALENDAR YEAR)

	1984	1985	1986	1987	1988	1989
Gross national product (GNP):						
Current dollars (percent change, year to year):						
High-growth alternative	11.4	10.6	10.0	10.3	10.6	10.9
CBO baseline projection	10.3	9.4	8.6	8.4	8.1	7.8
Low-growth alternative	9.8	8.8	3.6	5.3	6.3	5.2
Constant (1972) dollars (percent change, year to year):						
High-growth alternative	6.4	5.1	4.5	4.5	4.4	4.3
CBO baseline projection	5.4	4.1	3.5	3.5	3.4	3.3
Low-growth alternative	4.9	3.6	−0.9	2.1	3.8	3.1
Prices:						
GNP deflator (percent change, year to year):						
High-growth alternative	4.7	5.2	5.2	5.5	5.9	6.3
CBO baseline projection	4.7	5.1	4.9	4.7	4.5	4.3
Low-growth alternative	4.7	5.0	4.5	3.2	2.4	2.0
Consumer Price Index (percent change, year to year):						
High-growth alternative	4.8	5.2	5.2	5.5	5.9	6.3
CBO baseline projection	4.8	5.1	4.9	4.7	4.5	4.3
Low-growth alternative	4.8	5.0	4.5	3.2	2.4	2.0
Unemployment rate: (percent, annual average):						
High-growth alternative	7.7	6.8	6.3	5.9	5.6	5.2
CBO baseline projection	7.8	7.3	7.0	6.8	6.6	6.5
Low-growth alternative	8.0	7.6	8.5	9.6	9.0	8.9
Interest rate (91-day Treasury bills, percent, annual average):						
High-growth alternative	8.0	7.6	7.1	7.3	7.3	7.4
CBO baseline projection	8.9	8.6	8.4	8.2	8.0	7.8
Low-growth alternative	10.4	9.5	8.0	7.0	6.0	5.6

Source: Congressional Budget Office.

Section 2. The Old-Age and Survivors Insurance Programs (OASI)

The old-age and survivors insurance (OASI) program provides monthly benefits to retired workers and their dependents and to survivors of insured workers. Old-age retirement benefits were provided for retired workers by the original Social Security Act of 1935, and benefits for dependents and survivors were provided by the 1939 amendments. The disability insurance (DI) program, enacted in 1956, and the hospital insurance (HI) program, enacted in 1966, are closely related to the old-age and survivors insurance program. (These related programs are discussed in the later sections.)

GENERAL

A worker builds protection under these programs through employment which is covered by the social security system. Coverage is generally compulsory. However, employees of State and local governments are covered on a voluntary group basis. Currently, over 90 percent of the nation's workforce is covered either voluntarily or mandatorily.

Contributions are made under the Federal Insurance Contributions Act (FICA, chapter 21 of the Internal Revenue Code). Contributions are based on wages and earnings up to the annual maximum taxable wage base. The employee contribution is withheld from wage and salary payments to employees and is matched by employers. Self-employed persons (SECA, chapter 2 of the Internal Revenue Code) pay contributions on their net earnings annually up to the same maximum as employees, but at a rate that is equal to the combined employee-employer tax rate.

All OASI tax revenue is credited automatically to the Old-Age and Survivors Insurance Trust Fund which is the source of payment for: (1) monthly benefits when the worker retires, or dies (including a financial interchange with the railroad retirement system) and (2) administrative expenses for the program. No funds are disbursed for any other purpose.

BENEFITS

Summary

Monthly cash benefits under OASI are paid as a matter of earned right to workers who are insured for benefits and to their eligible dependents and survivors. Generally, benefit amounts paid both to the insured worker and to the insured worker's dependents or survivors are related to the past earnings of the insured worker. An individual may be entitled to benefits as a worker based on his own earnings history and also to benefits as a dependent of another worker. However, the amount of the benefit is adjusted so that, in effect, only the larger of the two benefits is paid.

In December 1983, there were 36.1 million beneficiaries in the old-age and survivors insurance and disability insurance programs who were in current-payment status. Monthly benefits paid out were $13.7 billion.

The following table summarizes various types of beneficiaries and average benefit amounts:

TABLE 1.—OASDI CASH BENEFITS IN CURRENT-PAYMENT STATUS, DECEMBER 1983

Type of beneficiary	Number (thousands)	Percent of beneficiary population	Average monthly benefit
Total monthly beneficiaries	36,085	100.0	$393
Retired workers	21,419	59.4	441
Wives and husbands of retired workers	3,039	8.4	226
Children of retired workers	513	1.4	176
Disabled workers	2,569	7.1	456
Wives and husbands of disabled workers	308	0.9	130
Children of disabled workers	936	2.6	136
Widowed mothers and fathers	400	1.1	309
Surviving children	2,144	5.9	298
Widows and widowers	4,585	12.7	396
Disabled widow(er)s	109	0.3	250
Parents	11	0.03	350
Special age-72	51	0.1	129

Description of major benefit types

Child's benefit. A monthly benefit is payable to an unmarried child or eligible grandchild of a retired or disabled worker or of a deceased worker who was fully or currently insured at death if the child or grandchild is: (1) under age 18; (2) a full-time elementary or secondary student under age 19; (3) a full-time postsecondary school student under age 22;[1] or (4) a dependent disabled person aged 18 or over whose disability began before age 22. A grandchild is eligible for benefits on a grandparent's earnings record (or that of the spouse of such worker) if he is dependent on the grandparent for at least half his support and his parents are either disabled or deceased or, where a parent is alive, the grandparent is dead and the child has been adopted by the surviving grandparent.

Lump-sum death benefit. A lump-sum payment is payable on the death of a fully or currently insured worker to the surviving spouse who was living with the deceased worker or was eligible to receive monthly cash survivor benefits upon the worker's death. If there is no eligible spouse, the lump-sum death payment is payable to any child of the deceased worker who is eligible to receive monthly cash benefits as a surviving child. If there is no surviving spouse and no children of the worker eligible for monthly benefits, then no one is eligible to receive the lump-sum death payment. The maximum amount is $255.

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[1] This benefit will be eliminated by May 1985 as a result of the Omnibus Budget Reconciliation Act of 1981 (P.L. 97-35).

Minimum benefit. The minimum benefit is the smallest benefit (before actuarial reduction or earnings test reduction) payable to a worker or his survivors/dependents. In 1977, the minimum benefit was frozen at $122 per month for all workers who became disabled after 1978 and all survivors of workers who died after 1978. The new frozen minimum of $122 was to have applied to all retired workers reaching age 62 in 1984 or later. However, legislation in 1981 eliminated the minimum benefit for all persons becoming eligible for benefits in January 1982 or later (except for certain members of religious orders who have taken a vow of poverty; such persons are exempt from the new law for ten years). These persons will have their benefits computed under the regular benefit computation rules. Persons already eligible for benefits prior to January 1, 1982 will be able to continue receiving the minimum benefit.

Mother's or father's benefit. A monthly benefit is payable to a widow (widower) or surviving divorced mother (father) if: (1) the deceased worker on whose account the benefit is paid was fully or currently insured at time of death and (2) the widow (widower) or surviving divorced mother (father) has one or more entitled children of the worker in his care. These payments continue until the youngest child being cared for reaches age 16.

Parent's benefit. This is the monthly benefit payable to a dependent parent, age 62 or over, of a deceased fully insured worker.

Retired-worker (old-age) benefit. This is the monthly benefit payable to a retired worker aged 62 or over who is fully insured or to a person entitled under the transitional insured-status provision in the law.

"Special age-72" benefit. This is the monthly benefit payable to certain persons born before January 2, 1900, who do not have sufficient quarters of coverage to qualify for a retired-worker benefit under either the full or the transitional insured-status provisions. The benefit is payable only for months in which the individual is a resident of the 50 States or the District of Columbia and receives no public assistance money payments or SSI payments. It is reduced by the amount of any government pension (except workers' compensation and veterans' service-connected compensation) that the individual is receiving or is eligible to receive. When husband and wife are both eligible for these benefits, a full benefit is paid to each spouse.

Special minimum benefit (OASDI). This is a benefit based upon an alternative PIA which is not based on the worker's average monthly wage or average indexed monthly earnings but on his/her length (years) of covered employment. It is designed to help those who worked in covered employment for many years but had low earnings. The amount of the special minimum is computed by multiplying the number of years of coverage in excess of 10 and up to 30 by $9 for monthly benefits before 1979 and by $11.50 for monthly benefits payable after 1978. The number of years of coverage equals the number, not to exceed 14, obtained by dividing total creditable wages in 1937–50 by $900, plus the number of years after 1950 for which the worker is credited with at least 25 percent of the annual maximum taxable earnings. For this purpose for years after 1978, annual maximum taxable earnings are based on only the automatic adjustment provisions. The special minimum benefit is not subject to the delayed-retirement-credit provisions. Beginning in 1979, the automatic cost-of-living increases apply to the special minimum benefits.

Spouse's benefit. This is the monthly benefit payable to a spouse or divorced spouse of a retired or disabled worker under one of the following conditions: (1) spouse is aged 62 or older or is caring for one or more entitled children of the worker who have not achieved age 16; (2) divorced spouse is aged 62 or older, is not married, and the marriage to the worker had lasted 10 years before the divorce became final; or (3) wife was born before January 2, 1897, and husband is transitionally insured.

Widow's or widower's benefit. These are monthly benefits payable to: (1) a widow(er) or surviving divorced spouse of a worker fully insured at the time of death if he or she is unmarried, or remarriage occurred after the widow(er)'s first eligibility for benefits; and (a) is aged 60 or older or (b) aged 50–59 and has been disabled throughout a waiting period of 5 consecutive calendar months that began no later than 7 years after the month the worker dies or after the end of her entitlement to benefits as a widowed mother; or (2) a widow of a transitionally insured worker if she was born before January 2, 1897.

BENEFIT ELIGIBILITY: INSURED STATUS

Benefits can only be paid to workers, their dependents or survivors if the worker is "insured" for these benefits. Insured status is measured in terms of "quarters of coverage."

TABLE 2.—AMOUNT OF COVERED EARNINGS NEEDED TO EARN ONE QUARTER OF COVERAGE SINCE 1977

1978	$250
1979	260
1980	290
1981	310
1982	340
1983	370
1984	390
1985	[1] 410
1986	[1] 430
1987	[1] 450
1988	[1] 470

[1] 1983 OASDI Trustee's Report (II–B projection).

Prior to 1978, one quarter of coverage was earned for each calendar quarter in which a worker was paid $50 or more in wages for covered employment (except for agricultural labor). Since the beginning of 1978 the crediting of quarters of coverage has been on an annual rather than a quarterly basis. In 1978, a worker earned one quarter of coverage, up to a total of four, for each $250 of annual earnings reported from covered employment or self-employment. The amount of annual earnings is subject to annual automatic increases, effective in January, in proportion to increases in average wages in the economy.

For the purpose of the OASI program, there are two types of insured status: "fully insured" and "currently insured." Workers are fully insured for benefits for themselves and for their families if they have one quarter of coverage (earned at any time after 1936) for every four quarters elapsing after 1950, or the year of reaching age 21, if later, up to the year in which they reach age 62. Fully insured status is required for eligibility for all types of benefits except survivor benefits. A person must have at least six quarters of coverage to be fully insured. A person with 40 quarters of coverage is fully insured for life.

Workers are currently insured if they have six quarters of coverage during the thirteen calendar quarters ending with the quarter in which they died. Currently insured status by itself provides that the worker's surviving family members are eligible for child's, mother's, father's and lump-sum survivor benefits.

Table 3 indicates the type of insured status which is required for the various monthly benefit categories.

TABLE 3.—INSURED STATUS REQUIREMENTS FOR VARIOUS MAJOR BENEFIT CATEGORIES

Type of benefit	Basic eligibility requirements
Retirement	Fully insured.
Dependents:	
Wives, husbands	Worker entitled.
Mothers, fathers, children, grandchildren	Worker entitled.
Survivors:	
Dependent parents—age 62	Worker fully insured.
Widows, widowers	Worker fully insured.
Mothers, fathers, children	Worker fully or currently insured.
Lump-sum death	Worker fully or currently insured.

BENEFIT COMPUTATION

The amount of a monthly benefit award is determined by first computing an insured worker's average monthly wage (AMW) or—in the case of most workers who attain age 62, become disabled, or die after 1978—average indexed monthly earnings (AIME). The AMW is used in computing benefits under the old (coupled) benefit formula, and the AIME is used in computing benefits under the new (decoupled) benefit formula enacted in 1977. The AMW or AIME is linked (by a table in the law or by a formula, respectively) to the monthly retirement benefit payable at that worker's normal retirement age (NRA). This amount is called the primary insurance amount (PIA). Benefits for dependents and survivors are calculated as a percentage of the insured worker's PIA. The calculated amounts may be subject to minimum levels, and all benefits are subject to maximum limits which are stated in the law. Benefits payable to workers, spouses, widows and widowers who choose to retire before their normal retirement age are subject to an actuarial reduction. Benefits payable to workers, spouses, widows and widowers who choose to retire after their normal retirement age are subject to increase through the delayed retirement credit.

The normal retirement age [2]

The normal retirement age is the earliest age at which unreduced retirement benefits can be received. The normal retirement age will be gradually increased from age 65 to age 67 beginning in 2000. For persons attaining age 62 in 2000, the normal retirement age will be increased by 2 months—to age 65 and 2 months. In each succeeding year, the normal retirement age will be increased by 2 additional months until it reaches age 66 for persons attaining age 62 in 2005. The normal retirement age will then remain at age 66 for persons attaining age 62 through 2016. Beginning with persons attaining age 62 in 2017, the normal retirement age will again increase by 2 months each year, until it reaches age 67 for persons attaining age 62 in 2022 and later. (See table 4 for the exact schedule in increases in the normal retirement age.)

Average indexed monthly earnings (AIME)

The AIME is a dollar amount which represents the average monthly earnings, adjusted for the growth in average wages in the economy, which was received by the worker during his covered employment. Indexing creates an earnings record that reflects the value of the individual's earnings relative to national average earnings in the indexing year. The indexing year is the second year before the year in which the worker attains age 62, becomes disabled, or dies. Earnings after the indexing year are counted at their nominal value.

There are four steps in the calculation of the AIME: (1) indexing the worker's earnings for each year after 1950 by dividing the worker's posted earnings for the year being indexed by the average wages of all workers in that same year and multiplying this result by the average earnings in the indexing year, (2) determining the number of computation years—the number of years after 1950 (or the year of attainment of age 21, if later) and up to the year worker attains age 62, becomes disabled, or dies, minus dropout years, generally 5 (minimum number of computation years is 2); (3) selecting the actual computation years, based on highest earnings, from any year after 1950; and (4) dividing the sum of earnings in the computation years by the total number of months in the computation years.

These computations are illustrated in table 5 for three different workers. The actual earnings for the three workers are shown in the first three columns. These are multiplied by the indexing factor (column 4) to arrive at indexed earnings (last 3 columns of table 4). The indexing factor for 1951 is average wages when an individual turned 60 (14,531) divided by average wages for 1951 (2,799). The lowest 5 years of indexed earnings may be dropped. For example, a lifelong full-time worker earning the minimum wage would be able to drop earnings in 1955, 1972, 1973, 1982, and 1983, and would have total indexed earnings of $217,434 (see table 4). Dividing this by the number of months in the computation period (28 years × 12 months = 336 months) results in an average indexed monthly earnings (AIME) of $647. The corresponding AIME's for the average and maximum earners are $1,212 and $1,803.

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[2] Changes in the normal retirement are a result of the Social Security Amendments of 1983 (P.L. 98-21).

TABLE 4.—INCREASES IN NORMAL RETIREMENT AGE FOR PERSONS REACHING AGE 62 IN EACH YEAR 1986 AND LATER

Year of birth	Year of attainment of age 62	Normal retirement age (NRA)
1924	1986	65.
1925	1987	65.
1926	1988	65.
1927	1989	65.
1928	1990	65.
1929	1991	65.
1930	1992	65.
1931	1993	65.
1932	1994	65.
1933	1995	65.
1934	1996	65.
1935	1997	65.
1936	1998	65.
1937	1999	65.
1938	2000	65, 2 mo.
1939	2001	65, 4 mo.
1940	2002	65, 6 mo.
1941	2003	65, 8 mo.
1942	2004	65, 10 mo.
1943–54	2005–16	66
1955	2017	66, 2 mo.
1956	2018	66, 4 mo.
1957	2019	66, 6 mo.
1958	2020	66, 8 mo.
1959	2021	66, 10 mo.
1960 and later	2022 and later 1986	67.

TABLE 5.—EARNINGS HISTORIES FOR HYPOTHETICAL WORKERS AGE 62 IN 1984

[Rounded to the nearest dollar]

Year	Nominal earnings			Indexing factor	Indexed earnings		
	Minimum [1]	Average [2]	Maximum [3]		Minimum	Average	Maximum
1951	1,560	2,799	3,600	5.1913	8,098	[4] 14,531	18,689
1952	1,560	2,973	3,600	4.8872	7,624	[4] 14,531	17,594
1953	1,560	3,139	3,600	4.6286	7,221	[4] 14,531	16,663
1954	1,560	3,156	3,600	4.6049	7,184	[4] 14,531	[4] 16,578
1955	1,560	3,301	4,200	4.4015	[4] 6,866	[4] 14,531	18,486
1956	1,993	3,532	4,200	4.1138	8,199	14,531	17,278
1957	2,080	3,642	4,200	3.9902	8,300	14,531	16,759
1958	2,080	3,674	4,200	3.9554	8,227	14,531	16,613
1959	2,080	3,856	4,800	3.7687	7,839	14,531	18,090
1960	2,080	4,007	4,800	3.6264	7,543	14,531	17.407
1961	2,184	4,087	4,800	3.5557	7,766	14,531	17,067
1962	2,392	4,291	4,800	3,3862	8,100	14,531	[4] 16,254
1963	2,461	4,397	4,800	3.3051	8,134	14,531	[4] 15,864
1964	2,600	4,576	4,800	3.1753	8,256	14,531	[4] 15,242
1965	2,600	4,659	4,800	3.1192	8,110	14,531	[4] 14,972
1966	2,600	4,938	6,600	2.9425	7,651	14,531	19,421
1967	2,886	5,213	6,600	2.7873	8,044	14,531	18,396
1968	3,293	5,572	7,800	2.6080	8,588	14,531	20,343
1969	3,328	5,894	7,800	2.4655	8.205	14,531	19,231
1970	3,328	6,186	7,800	2.3490	7,817	14,531	18,322
1971	3,328	6,497	7,800	2.2366	7,443	14,531	17,445
1972	3,328	7,134	9,000	2.0370	[4] 6,779	14,531	18,333
1973	3,328	7,580	10,800	1.9170	[4] 6,380	14,531	20,704
1974	3,883	8,031	13,200	1.8095	7,026	14,531	23,885
1975	4,368	8,631	14,100	1.6836	7,354	14,531	23,739
1976	4,784	9,226	15,300	1.5750	7,535	14,531	24,097
1977	4,784	9,779	16,500	1.4859	7,109	14,531	24,517
1978	5,512	10,556	17,700	1.3766	7,588	14,531	24,366
1979	6,032	11,479	22,900	1.2659	7,636	14,531	28,988
1980	6,448	12,513	25,900	1.1613	7,488	14,531	30,077
1981	6,958	13,773	29,700	1.0551	7,352	14,531	31,335
1982	6,968	14,531	32,400	1.0000	[4] 6,968	14,531	32,400
1983	6,918	[5] 15,166	35,700	1.0000	[4] 6,968	15,166	35,700

[1] Full-time worker at the Federal minimum wage.

[2] Full-time worker with earnings equal to the average in the economy.

[3] Worker earning the social security taxable maximum wage.

[4] Dropout years.

[5] Estimated 1983 Trustee's Report (Alternative II–B).

Average monthly wage (AMW)

The AMW, which is used in computing benefits under the old (coupled) benefit formula, is computed by: (1) determining the number of computations years—the number of years after 1950 (or the year of attainment of age 21, if later) and up to the year the worker attains age 62 (age 65 for men born before January 2, 1911) and the later of age 62 or the 1975 for men born after January 1, 1911, onset of disability or death, minus dropout years, generally 5 (minimum number of computation years is 2); (2) selecting the actual computation years, based on highest non-indexed earnings, for any year after 1950; and (3) dividing the sum of non-indexed earnings in the computation years by the total number of months in the computation years.

Primary insurance amount (PIA)

The PIA is the monthly benefit amount that would be payable to a retired worker who begins to receive benefits at his nomal retirement age and is the amount which is used as a base for computing all benefits which are payable on the basis of that worker's earnings record.

The method of determining the PIA depends on whether an AIME or an AMW was computed for the worker. (This, of course, is determined on the basis of the worker's date of birth.) If an AMW has been computed for the worker, the PIA is determined through reference to wage tables which are updated and published annually.

Under the transitional guarantee provision of the 1977 amendments (which is applicable only to workers who attain age 62 in 1979–83) if the PIA computed under the special guarantee is higher than under the AIME method, benefits are determined on the basis of the frozen 1978 benefit table.

In cases where an AIME has been computed, the PIA is determined by applying the "primary benefit formula" to the AIME. For a worker reaching age 62 in 1984, the PIA equals 90 percent of the first $267 of AIME, 32 percent of the next $1,345 of AIME, and 15 percent of the AIME above $1,612. Applying this formula to the AIME's of the three example workers results in PIA's of $362 for the minimum-wage worker, $543 for the average-wage worker, and $699 for the maximum-wage worker. The numbers $267 and $1,612 are often referred to as "bend points." These are adjusted each year by increase in average wages.

After the year of initial eligibility (age 62 for retired worker benefits), the PIA is increased each year for the increase in the Consumer Price Index (CPI). Thus, the PIA's of $362, $543, $699 would have been for January through November 1984, and will be increased by the estimated 4.6 percent cost-of-living adjustment that will increase the December 1984 benefits (received in January 1985) under current law.

BENEFIT AMOUNTS

The PIA is the dollar amount that is payable to a worker who begins to receive benefits at that worker's normal retirement age. However, the actual benefit payable may be an amount different than the PIA.

Workers attaining age 62 before 2000 who retire before age 65 will receive a benefit with an actuarial reduction. Retirement after age 65 results in an actuarial increase in the benefit payable.

When the normal retirement age begins to increase in the year 2000, the minimum age of eligibility for reduced benefits will remain unchanged at age 62 (age 60 for widows and widowers). However, there will be corresponding increases in the amount of reduction for early retirement. The amount of reduction will be 5/9 of 1 percent for each of first 36 months of early retirement (as under present law), and 5/12 of 1 percent for each month in excess of 36. Thus, for persons attaining age 62 during 2005–16, for whom the normal retirement age will be 66, the reduced benefit payable at age 62 will be 75 percent of the PIA. For persons attaining age 62 in 2022 and later, for whom the normal retirement age will be 67, the reduced benefit payable at age 62 will be 70 percent of the PIA. (See table 6.) There will be no increase in the maximum reduction for widow(er)s.

Auxiliary benefit amounts are also based on the worker's PIA. Table 7 lists major types of benefit with the percent of the insured worker's PIA which is paid.

TABLE 6.—SCHEDULE OF BENEFITS, AS A PERCENTAGE OF PIA, PAYABLE AT SELECTED AGES, FOR PERSONS REACHING AGE 62 IN EACH YEAR 1986 AND LATER

Year of attainment of age 62	Benefit, as a percentage of PIA, beginning at age—		
	62	65	67
1986	80	100	106
1987	80	100	107
1988	80	100	107
1989	80	100	108
1990	80	100	108
1991	80	100	109
1992	80	100	109
1993	80	100	110
1994	80	100	110
1995	80	100	111
1996	80	100	111
1997	80	100	112
1998	80	100	112
1999	80	100	113
2000	79 1/6	98 8/9	111 11/12
2001	78 1/3	97 7/9	111 2/3
2002	77 1/2	96 2/3	110 1/2
2003	76 2/3	95 5/9	110
2004	75 5/6	94 4/9	108 3/4
2005–16	75	93 1/3	108
2017	74 1/6	92 2/9	106 2/3
2018	73 1/3	91 1/9	105 1/3
2019	72 1/2	90	104
2020	71 2/3	88 8/9	102 2/3
2021	70 5/6	87 7/9	101 1/2
2022 and later	70	86 2/3	100

TABLE 7.—PERCENTAGE OF PRIMARY INSURANCE AMOUNT (PIA) PAID FOR DEPENDENT'S AND SURVIVOR'S BENEFITS

Type of monthly benefit	Percent of PIA
Dependents: [1]	
Wives, husbands—age 65	[3] 50.0
Mothers, fathers, children, grandchildren	50.0
Survivors: [1]	
Widows, widowers—age 65 [2]	[3] 100.0
Dependent parent—age 62	82.5
Widows, widowers, disabled—age 50	71.5
Mothers fathers, children	75.0

[1] Subject to maximum family benefit limitation.

[2] Subject to general limitation that survivor cannot get a higher benefit than deceased worker would be getting if alive.

[3] These percentage decrease as the normal retirement age increases beginning in the year 2000.

BENEFIT REDUCTION AND INCREASE

Social security benefits may be reduced, withheld or increased for several reasons, chiefly on account of early retirement, delayed retirement and, on account of earnings in excess of the exempt amount provided in the law (6,960 in 1984 for beneficiaries between age 65 and 70). In addition, there is an overall limit on the total amount of benefits which can be paid at one time on the basis of any one earnings record.

Actuarial reduction. This is the reduction in monthly benefit amount payable: (a) on entitlement at ages 62–64 if the beneficiary is a retired worker, a spouse of a retired or disabled worker (with entitlement not dependent on having a child beneficiary in their care), or a divorced spouse; (b) on entitlement at age 60–64 if the beneficiary is a widow, widower, or a surviving divorced spouse; or (c) on entitlement, in case of disability, at ages 50–59 if the beneficiary is a widow, widower, or surviving divorced spouse.

At the time of award, the following reductions in benefit amount are made for:

A retired-worker beneficiary—$\frac{5}{9}$ of 1 percent for each month of entitlement before age 65 (maximum reduction of 20 percent);

A wife or husband beneficiary—$\frac{25}{36}$ of 1 percent for each month of entitlement before age 65 (maximum reduction of 25 percent);

A widow including surviving divorced spouse—$\frac{19}{40}$ of 1 percent for each month of entitlement between age 60 (maximum reduction of 28.5 percent). Disabled widow(er)s ages 50 to 59 receive 71.5 percent of the PIA.

The benefit continues to be paid at a reduced rate even after age 65, except that the reduced rate is refigured at age 65 for all beneficiaries and also at age 62 for a widow, widower, and a surviving divorced wife to omit months for which the reduced benefits was not paid and to take into account any additional earnings. Data on benefit awards to retired workers for 1977 indicates that

67 percent of all such awards were actuarially reduced benefits (62 percent for men, 74 percent for women).

Delayed retirement credit. A credit due a worker for delayed retirement after attaining age 65 for each month the worker: (1) was fully insured, (2) had attained age 65 but was not yet age 70, and (3) did not receive benefits because the worker had not filed an application or was working. Each monthly credit serves as a basis for increasing the monthly benefit (unless the benefit is based on a special minimum PIA) by 1/12 of 1 percent for workers who attained age 62 before 1979 and by ¼ of 1 percent for workers attaining age 62 after 1978. The increase is applicable to the worker's monthly benefits amount but not to his PIA. Hence, auxiliary benefits are generally not affected. The exception is that a surviving spouse (including divorced) receiving widow(er)'s benefits is entitled, for months after May 1978 to the same increase that had been applied to the benefit of the deceased worker or for which the worker was eligible for at the time of death.

As a result of the Social Security Amendments of 1983, beginning with workers who attain age 65 in 1990, the increment for delaying retirement past the normal retirement age will increase by ½ of 1 percent every second year, from 3 percent per year of delayed retirement for workers attaining age 65 in 1982–89, until reaching 8 percent per year of delayed retirement for workers attaining normal retirement age (age 66) after 2008.

Maximum family benefit. The maximum monthly amount that can be paid on a worker's earnings record varies with his PIA. For benefits payable on the earnings records of retired and deceased workers, the maximum varies between 150 and 188 percent of the PIA. No more than the established maximum can be paid to a family regardless of the number of beneficiaries entitled on that earnings record. The family maximum is computed by adding fixed percentages of dollar amounts which are part of the PIA.

150 percent of the first $342 PIA, plus;
272 percent of PIA from $342 through $493, plus;
134 percent of PIA from $493 through $643, plus;
175 percent of PIA over $643.

The dollar amounts in this benefit formula (i.e. the "bend points") are adjusted annually by the same index used to update the bend points in the primary benefit formula.

Whenever the total of the individual monthly benefits payable to all the beneficiaries entitled on one earning record exceeds the maximum, each dependent's or survivor's benefit is proportionately reduced to bring the total within the maximum.

In computing the total of the individual monthly benefits for entitlements based on a single earnings record, a benefit payable to a divorced spouse or to a surviving divorced wife is not included.

Withholding. This is the suspension of benefit payments until the conditions causing deductions are known to have ended. Reasons for withholding benefits include: (1) earnings by a beneficiary (or any dependent drawing benefits on his earnings record) under age 70 from either covered or non-covered employment which exceeds the annual allowable amount (this is known as the "retirement test"); (2) failure of a wife under age 62 or mother or father beneficiary to have an entitled child in her care; (3) for special age-

72 beneficiaries, receipt of public assistance or supplemental security income (SSI) payments or offsetting government pensions; (4) the payee is not determined; and (5) administrative reasons.

Under the "retirement test" the maximum allowable annual earnings without benefits being withheld is $6,960 in 1984 for beneficiaries aged 65 and over ($5,160 for beneficiaries under age 65). This amount is known as the "exempt amount." Benefits are reduced by $1 in benefits for every $2 in annual earnings above the exempt amount. The exempt amount is indexed to rises in the average wage in the economy. Each year that an automatic benefit increase occurs, the exempt sum of earnings is adjusted for wage increases, effective January 1. If average wages in the economy fall in a particular year, the exempt amount would not be lowered. The law provides that it may not be reduced. According to the 1983 Social Security Trustee's Report, the annual "exempt amounts" for the next 4 calendar years are projected to be as follows:

	Under age 65	Age 65 to 69
1984	5,160	6,960
1985	5,400	7,320
1986	5,640	7,560
1987	6,000	7,920
1988	6,360	8,400

Source: 1983 OASI Trustee's Report, Assumption II–B.

Beginning in 1990, the benefit withholding rate under the retirement test will be reduced from $1 for each $2 of earnings over the annual exempt amount to $1 for each $3 of excess earnings, for beneficiaries who have reached the normal retirement age (age 65 in 1990–99). When the normal retirement age begins to increase in 2003, the age at which the reduced withholding rate will apply will also increase.

Some of the administrative reasons for withholding benefits are: (a) refusal of beneficiary to accept checks for personal reasons; (b) beneficiary's residence in certain foreign countries; and (c) under certain conditions, an alien beneficiary's residence outside the United States for more than 6 full consecutive calendar months.

Suspension of monthly benefit payments does not affect eligibility for hospital insurance benefits.

AUTOMATIC BENEFIT ADJUSTMENTS

If the cost-of-living as measured by the Bureau of Labor Statistics' Consumer Price Index (CPI) rises by 3 percent or more since the last benefit increase, a benefit increase for social security and SSI recipients is triggered.

Prior to 1984, the change in the CPI was measured from the first calendar quarter of the base year to the first calendar quarter of the current year. However, the benefit increases in 1984 and later years will be based on the CPI increase from the third quarter of the base year through the third quarter of the year in which the benefit increase becomes effective. In addition, benefit increases beginning with the January 1985 check *may* be based upon a price index in which the housing component is measured on a rental equivalence basis. The January 1986 increase will be based upon a rental equivalence Consumer Price Index.

If it shows a 3 percent or more increase, a benefit increase of equivalent amount will be due for the month of December following the end of the measuring period. The CPI for the two calendar quarters used to measure the change represents the straight average of the CPI for each of the 3 months in both quarters.

However, if the assets of the combined OASI and DI trust funds are below a certain reserve ratio (15 percent for 1984 through 1988, and 20 thereafter) and wages increase at a rate lower than inflation, the automatic benefit increase will be based on wage growth rather than inflation. (See Appendix I for a more detailed discussion of this provision.)

The Secretary of Health and Human Services (HHS) is required by law to publish the amount of the increase in the Federal Register within 45 days after the close of the measuring period. The benefit increase is effective in December and first appears in January benefit checks, i.e., 3 months after the close of the measuring period. (Prior to 1983 the benefit adjustment was effective in June and payable in July.)

Since a benefit increase occurred in 1982, that year became the base for the 1983 benefit increases. The CPI for the first quarter of 1982 was 282.5. This was the arithmetical average of the CPI for January, February and March, 1982.

Month in 1982:	CPI
January	282.1
February	282.9
March	282.5
Total	847.5

The average CPI for the 1st quarter of 1982 is thus:

847.5/3=282.5

2. The CPI for the first quarter of 1983 was 292.5. This was the arithmetical average of the CPI for January, February and March, 1982.

Month in 1983:	
January	292.1
February	292.3
March	293.0
Total	877.4

The average CPI for the 1st quarter of 1983 is thus:

877.4/3=292.5

3. The percentage increase in the CPI from the first quarter of 1982 to the first quarter of 1983 is:

292.5-282.5/282.5=3.5 percent

The benefit increase is rounded to the nearest 0.1 percent. It applies to all types of beneficiaries (except postsecondary students, whose benefits are being phased out).

LEGISLATIVE CHANGES MADE IN THE 97TH CONGRESS

The 97th Congress made numerous changes in the old-age and survivors insurance program. The major changes were included in the Omnibus Budget Reconciliation Act (Public Law 97-35). Table 8 lists these changes and contains the most recent Congressional Budget Office estimates of their budgetary impact. (See Appendix I for a discussion and a similar list of changes enacted to date during the 98th Congress.)

TABLE 8.—CONGRESSIONAL BUDGET OFFICE ESTIMATES FOR LEGISLATIVE CHANGES MADE IN OASI DURING CALENDAR YEAR 1981 (JANUARY 1982 ESTIMATES)

[In million of dollars]

	Fiscal year—		
	1982	1983	1984
Elimination of minimum benefit for future beneficiaries	−81	−180	−210
Elimination of benefits for postsecondary students	−567	−1,580	−2,033
Restrictions on payment of lump-sum death benefits	−200	−210	−215
Modification of month of initial entitlement for certain workers and their dependents	−190	−220	−240
Temporary extension of earnings limitation to include all persons aged less than 72	−380	−120	0
Termination of mother's and father's benefits when youngest child attains age 16	−30	−88	−496
Modification of rounding rules	−79	−272	−314
Cost reimbursement for provision of earnings information	−1	−2	−5
Revision of reimbursements for vocational rehabilitation services	−87	−86	−73
Modify workmen's compensation offset to: (1) Apply offset to certain other public disability benefits-megacap; (2) apply offset to benefits of workers aged 62 to 64; and (3) begin offset in first month of dual benefit payment	−87	−122	−156
Extension of coverage to first 6 months of sick pay (revenue increase)	−534	−762	−828
Total OASI	−2,236	−3,642	−4,570

CHARACTERISTICS OF BENEFICIARY POPULATION

Tables 9 through 11 provide detailed information on the numbers of various OASI beneficiaries, the average amount of monthly benefits by type of beneficiary and beneficiary population by age group and type of benefit for 1970, 1975, 1980, 1982, and 1983. More detailed information is shown in table 11 for December 1982.

TABLE 9.—OASI CASH BENEFITS: AVERAGE AMOUNT OF MONTHLY BENEFITS BY TYPE AND NUMBER OF BENEFICIARIES, CALENDAR YEARS 1970, 1975, 1980, 1982 AND 1983

Period, payment status, and number/average	Retired workers and their dependents		
	Retired workers	Spouses	Children
1970:			
Current:			
Number (in thousands)	13,349	2,500	546
Average payment	$118	$61	$45
New awards:			
Number (in thousands)	1,338	339	183
Average payment	$124	$58	$45
1975:			
Current:			
Number (in thousands)	16,588	2,671	643
Average payment	$207	$105	$77
New awards:			
Number (in thousands)	1,506	351	226
Average payment	$206	$96	$82
1980:			
Current:			
Number (in thousands)	19,562	3,016	639
Average payment	$341	$172	$140
New awards:			
Number (in thousands)	1,613	361	249
Average payment	$363	$170	$155
1982:			
Current:			
Number (in thousands)	20,764	3,039	559
Average payment	$419	$212	$165
New awards:			
Number (in thousands)	1,625	352	195
Average payment	$413	$203	$190
1983:			
Current:			
Number (in thousands)	21,419	3,039	513
Average payment	$441	$226	$176
New awards:			
Number (in thousands)	1,670	356	146
Average payment	$408	$205	$179

Source: Office of Research and Statistics, and International Policy, Social Security Administration.

TABLE 10.—OASI CASH BENEFITS: AVERAGE AMOUNT OF MONTHLY BENEFITS BY TYPE AND NUMBER OF BENEFICIARIES, CALENDAR YEARS 1970, 1975, 1980, 1982, and 1983

Period, payment status, and number/average	Survivors of deceased workers			
	Children	Widowed mothers and fathers	Widows and widowers [1]	Parents
1970:				
Current:				
Number (in thousands)	2,688	523	3,227	29
Average payment	$82	$87	$102	$103
New awards:				
Number (in thousands)	592	112	363	2
Average payment	$78	$87	$106	$116
1975:				
Current:				
Number (in thousands)	2,919	582	3,889	21
Average payment	$139	$147	$192	$172
New awards:				
Number (in thousands)	591	116	354	1
Average payment	$137	$150	$193	$197
1980:				
Current:				
Number (in thousands)	2,610	562	4,411	15
Average payment	$240	$246	$308	$276
New awards:				
Number (in thousands)	540	108	452	1
Average payment	$239	$241	$308	$309
1982:				
Current:				
Number (in thousands)	2,320	515	4,595	12
Average payment	$285	$303	$375	$335
New awards:				
Number (in thousands)	462	87	495	1
Average payment	$279	$276	$368	$349
1983:				
Current:				
Number (in thousands)	2,144	400	4,694	11
Average payment	$298	$309	$393	$350
New awards:				
Number (in thousands)	377	82	502	0.4
Average payment	$278	$282	$376	$353

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[1] Includes disabled widows and widowers.

Source: Office of Research and Statistics, Social Security Administration.

TABLE 11.—NUMBER OF PERSONS RECEIVING VARIOUS TYPES OF OASDI BENEFITS BY AGE, SEX, AND AVERAGE MONTHLY BENEFIT AMOUNTS, DECEMBER 1982

Benefits by age, sex, and average monthly benefit amount	Number (thousands)	Percent of total beneficiaries	Average monthly benefit	Percent of total benefits
Retired workers:				
Men:				
62 to 64	1,141	3.2	$417.30	3.6
65 to 69	3,458	9.6	508.90	13.2
70 to 79	4,717	13.2	470.30	16.7
80 to 89	1,523	4.2	428.60	4.9
90 and over	191	.5	379.30	.5
Total, retired men	11,030	30.7	469.60	38.9
Women:				
62 to 64	1,086	3.0	276.80	2.3
65 to 69	2,757	7.7	365.40	7.6
70 to 79	4,040	11.3	385.30	11.7
80 to 89	1,604	4.5	364.90	4.4
90 and over	246	.7	308.00	.6
Total, retired Women	9,733	27.2	362.20	26.6
Total, retired workers	20,763	57.9	419.30	65.5
Disabled workers:				
Men:				
Under 50	475	1.3	472.00	1.7
50 to 59	648	1.8	479.60	2.3
60 to 61	232	.6	497.90	.9
62 to 64	390	1.1	504.50	1.5
Total, disabled men	1,745	4.9	485.50	6.4
Women:				
Under 50	206	.6	378.00	.6
50 to 59	334	.9	333.70	.8
60 to 61	119	.3	343.30	.3
62 to 64	199	.6	348.70	.5
Total, disabled women	858	2.4	349.20	2.2
Total, disabled workers	2,604	7.3	440.60	8.6
Wives of retired workers:				
With entitled children:				
Under 35	6	(1)	111.20	(1)
35 to 44	24	.1	121.10	(1)
45 to 54	58	.2	140.60	.1
55 to 64	75	.2	166.70	.1
Total, with entitled children	163	.5	148.80	.2
Without entitled children: 62 and over	2,839	7.9	216.90	4.6
Total, wives of retired workers	3,002	8.4	213.20	4.8

TABLE 11.—NUMBER OF PERSONS RECEIVING VARIOUS TYPES OF OASDI BENEFITS BY AGE, SEX, AND AVERAGE MONTHLY BENEFIT AMOUNTS, DECEMBER 1982—Continued

Benefits by age, sex, and average monthly benefit amount	Number (thousands)	Percent of total beneficiaries	Average monthly benefit	Percent of total benefits
Husbands of retired workers:				
62 to 74	22	.1	$152.70	(1)
75 and over	16	(1)	160.20	(1)
Total, husbands	38	.1	155.90	(1)
Total spouses of retired workers	3,040	8.5	212.50	4.8
Wives of disabled workers:				
With entitled children:				
Under 35	59	.2	105.20	(1)
35 to 44	103	.3	117.70	.1
45 to 54	96	.3	135.00	.1
55 to 64	31	.1	153.70	(1)
Total, with entitled children	289	.8	124.70	.3
Without entitled children: 62 and over	76	.2	147.10	.1
Total, wives of disabled workers	365	1.0	129.40	.4
Husbands of disabled workers	2	(1)	101.70	(1)
Total spouses of disabled workers	367	1.0	129.30	.4
Children:				
Children of retired workers:				
0 to 6	20	.1	113.90	(1)
7 to 10	38	.1	120.70	(1)
11 to 17	265	.7	152.00	.3
18 to 21 (students)	91	.3	179.90	.1
Disabled children 18 and over	144	.4	198.40	.2
Total, children of retired workers	558	1.6	165.00	.7
Children of deceased workers:				
0 to 6	157	.4	278.50	.3
7 to 10	281	.8	293.40	.6
11 to 17	1,278	3.6	292.60	2.8
18 to 21 (students)	306	.9	260.70	.6
Disabled children 18 and over	298	.8	279.90	.6
Total, children of deceased workers	2,320	6.5	285.50	4.9

TABLE 11.—NUMBER OF PERSONS RECEIVING VARIOUS TYPES OF OASDI BENEFITS BY AGE, SEX, AND AVERAGE MONTHLY BENEFIT AMOUNTS, DECEMBER 1982—Continued

Benefits by age, sex, and average monthly benefit amount	Number (thousands)	Percent of total beneficiaries	Average monthly benefit	Percent of total benefits
Children of disabled workers:				
0 to 6	126	.4	$109.50	.1
7 to 10	164	.5	116.00	.1
11 to 17	605	1.7	129.60	.6
18 to 21 (student)	30	.1	163.90	(1)
Disabled children 18 and over	79	.2	155.50	.1
Total, children of disabled workers	1,004	2.8	128.00	1.0
Total, children	3,883	10.8	227.40	6.6
Widowed mothers and fathers:				
Under 30	46	.1	307.80	.1
30 to 39	148	.4	294.60	.3
40 to 49	172	.5	299.30	.4
50 to 59	127	.4	313.00	.3
60 to 61	12	(1)	316.60	(1)
62 and over	11	(1)	315.20	(1)
Total, widowed mothers and fathers	515	1.4	302.80	1.2
Widows (nondisabled):				
60, 61	181	.5	355.70	.5
62 to 64	422	1.2	364.20	1.2
65 to 69	783	2.2	378.30	2.2
70 to 79	1,679	4.7	390.90	4.9
80 to 89	1,156	3.2	379.70	3.3
90 and over	232	.6	342.00	.6
Total, widows	4,454	12.4	379.30	12.7
Widowers (nondisabled):				
62 to 64	10	(1)	287.00	(1)
65 to 69	4	(1)	292.70	(1)
70 to 74	3	(1)	289.50	(1)
75 to 79	3	(1)	287.60	(1)
80 to 84	3	(1)	277.80	(1)
85 and over	3	(1)	270.10	(1)
Total, widowers	25	.1	285.60	.1
Disabled widows and widowers:				
50 to 54	9	(1)	211.10	(1)
55 to 59	39	.1	233.90	.1
60	13	(1)	246.50	(1)
61	14	.1	253.80	(1)
62 and over	14	.1	253.80	(1)
Total, disabled widows and widowers	116	.3	242.10	.2

TABLE 11.—NUMBER OF PERSONS RECEIVING VARIOUS TYPES OF OASDI BENEFITS BY AGE, SEX, AND AVERAGE MONTHLY BENEFIT AMOUNTS, DECEMBER 1982—Continued

Benefits by age, sex, and average monthly benefit amount	Number (thousands)	Percent of total beneficiaries	Average monthly benefit	Percent of total benefits
Disabled widows	115	.3	$242.80	.2
Disabled widowers	1	(1)	165.50	(1)
Parents: Total	12	(1)	335.40	(1)
Special age 72 beneficiaries (primary):				
Men	6	(1)	124.60	(1)
Women	56	.2	125.30	.1
Total, age 72 beneficiaries	62	.2	125.20	.1
Wives of special age 72 beneficiaries	(2)	(1)	63.00	(1)
Total	35,839	100.0	371.70	100.0

[1] Less than 0.1 percent.

[2] Less than 500 beneficiaries.

Note.—Columns may not add due to rounding.

Source: Office of Research, Statistics, and International Policy; Social Security Administration.

The previous three tables have shown the number and average benefit classified by type of beneficiary. Many individuals receive benefits on their own record plus other benefits based upon earnings of their spouse or former spouse. Table 12 separates, by type of female beneficiary, the amount of benefits received on her own earnings record versus someone else's. For example, 8.9 million female beneficiaries over age 65 are insured and receive an average benefit of $440.63 or total benefits of $3.941 million. Of this, approximately 89 percent is earned on the basis of their own earnings while the remaining 11 percent is received as a dependent spouse. Some 6.4 million female beneficiaries over age 65 who are not insured receive an average benefit of $333.54. These benefits were all earned by a spouse or former spouse. Most of these benefits represent a survivor benefit. Table 13 presents similar information for male beneficiaries.

TABLE 12.—OASDI MONTHLY BENEFITS RECEIVED BY FEMALES IN DECEMBER 1983 [1]

	Total OASDI benefit	Old-age benefit based on own earnings record	Disability benefit based on own earnings record	Retirement benefit received as dependent spouse	Survivor benefit received as dependent spouse	Disability benefit received as dependent spouse	Benefit received as mother parent, or special primaries	Percent of total female benefits
Age 65 and over (insured on own earnings record):								
Number (in thousands)	8,944	8,944		[2] 988	[3] 1,868		(3)	57.9
Total benefits (in millions)	$3,941	$3,504		$81	$356		(3)	
Average	$440.63	$391.82		$82.08	$190.59			
Age 65 and over (not insured):								
Number (in thousands)	6,437			2,418	3,930	32	57	31.5
Total benefits (in millions)	$2,146			$560	$1,572	$5	$10	
Average	$333.54			$231.52	$399.89	$148.89	$172.87	
Age 62–64 (insured on own earnings record):								
Number (in thousands)	1,312	1,117	196	[2] 312	[2] 31		(3)	5.7
Total benefits (in millions)	$385	$314	$70	$29	$8		(3)	
Average	$293.04	$281.43	$359.38	$92.99	$270.19			
Age 62–64 (not insured):								
Number (in thousands)	1,014			480	479	46	9	4.3
Total benefits (in millions)	$294			$105	$179	$7	$3	
Average	$289.94			$218.47	$372.96	$155.82	$335.08	
Age less than 62:								
Number (in thousands)	1,603		642	104	256	226	374	7.0
Total benefits (in millions)	$478		$232	$15	$86	$28	$117	
Average	$298.21		$360.47	$146.27	$336.75	$121.64	$314.15	
Total number of individuals	19,309	10,060	838	4,302	4,665	304	(3)	
Total benefits	$6,806	$3,819	$302	$790	$1,836	$39	(3)	
Average	$352.50	$379.56	$360.22	$183.62	$393.57	$129.68		
Percent of total female benefits	100.0	56.1	4.4	11.6	27.0	.6		

[1] Table does not include female child beneficiaries. [2] Dually entitled. [3] Not available.

Source: Social Security Administration, Office of the Actuary.

TABLE 13.—OASDI MONTHLY BENEFITS RECEIVED BY MALES IN DECEMBER 1983 [1]

	Total OASDI benefit	Old-age benefit based on own earnings record	Disability benefit based on own earnings record	Retirement benefit received as dependent spouse	Survivor benefit received as dependent spouse	Disability benefit received as dependent spouse	Benefit received as father, parent, or special primary	Percentage of total male benefit
Age 65 and over (insured on own earnings record):								
Number (in thousands)	10,154	[2]10,154		(2)	(2)		(2)	78.5
Total benefits (in millions)	$5,110	$5,110		(2)	(2)		(2)	
Average	$503.27	$503.27						
Age 65 and over (not insured):								
Number (in thousands)	59			36	16	1	6	.2
Total benefits (in millions)	$12			$6	$5	(4)	$1	
Average	$195.91			$161.95	$295.87	$110.20	$148.13	
Age 62–64 (insured on own earnings record):								
Number (in thousands)	1,589	[2]1,204	384	(2)	(2)		(2)	11.0
Total benefits (in millions)	$713	$512	$201	(2)	(2)		(2)	
Average	$449.00	$425.06	$524.00					
Age 62–64 (not insured):								
Number (in thousands)	9			1	8	(3)	(3)	
Total benefits (in millions)	$3			(4)	$2	(4)	(4)	
Average	$286.10			$119.90	$318.15		$222.00	
Age less than 62:								
Number (in thousands)	1,370		1,346	(3)	5	2	17	10.3
Total benefits (in millions)	$673		$669	(4)	$1	(4)	$3	
Average	$490.98		$496.57		$231.51	$76.40	$178.99	
Total number of individuals	13,182	[2]11,538	1,731	37	29	4	23	
Total benefits	$6,511	$5,622	$870	$6	$8	(4)	$4	
Average	$493.91	494.97	$502.66	$160.93	$290.95	$87.71	$171.68	
Percentage of total male benefits	100.0	86.3	13.4	0.1	0.1		0.1	

[1] Table does not include male children beneficiaries. [2] Assumes all equally entitled beneficiaries are female. [3] Less than 500. [4] Less than $500,000.

Source: Social Security Administration, Office of the Actuary.

TABLE 14.—1984 SUMMARY SOCIAL SECURITY INFORMATION

Tax rate:	
Employee and employer each	7.00 percent (5.70 percent—OASDI, 1.30 percent—HI).
Self-employed	14.00 percent (11.40 percent—OASDI, 2.60 percent—HI).
Wage Base	$37,800.
Quarter of Coverage	$390 equals 1 QC (minimum of $400 net earnings from self-employment needed to earn QC's based on self-employment income)
Retirement Test:	
Age 65 and over	$6,960 annual, $580.00 monthly.
Under age 65	$5,160 annual, $430.00 monthly.

Bend Points:

PIA	Maximum Family Benefit
90 percent of first $267 of AIME, plus 32 percent of AIME over $267 thru $1,612, plus 15 percent of AIME over $1,612.	150 percent of first $342 of PIA, plus 272 percent of PIA over $342 thru $493, plus 134 percent of PIA over $493 thru $643, plus 175 percent of PIA over $643.

Benefit Examples:

Retired Worker Age 65 in 1984—January 1983 PIA	Long-Range Constant Replacement Rate Under Decoupled System
Fed. minimum wage earner, $361.00	Fed. minimum wage earner, 54 percent.
Average earner, $542.80	Average earner, 41 percent.
Maximum earner, $703.60	Maximum earner, 27 percent.

Average Earnings Level: 1982 est—$14,531 [1], 1983 est—$15,185 [1]
Federal Minimum Wage Level: [2] 1982—$6,968, 1983—$6,968.

Poverty level	1981 (actual)	1982 (actual)	1983 [3] (projected)
Aged individual	$4,359	$4,626	$4,774
Couple, aged head	5,498	5,836	6,023
Family of four	9,287	9,862	10,178

[1] 1982 Trustees' Report—alternative II–B assumptions (revised).
[2] 2,080 hours times the hourly Federal minimum wage.
[3] Bureau of Census.

Source: Office of Legislative and Regulatory Policy, Social Security Administration.

TABLE 15.—EXAMPLES OF MONTHLY CASH BENEFIT AWARDS FOR SELECTED BENEFICIARY FAMILIES WITH FIRST ELIGIBILITY IN 1984, BY AVERAGE INDEXED MONTHLY EARNINGS

Beneficiary family	Average indexed monthly earnings of insured worker										
	$100	$267	$600	$1,000	$1,300	$1,612	$1,900	$2,200	$2,587	$2,837	$3,062
Primary insurance amount	$90.00	$240.30	$346.80	$474.80	$570.80	$670.70	$713.90	$758.90	$816.90	$854.40	$888.20
Maximum family benefit	135.00	360.40	526.00	874.20	1,027.90	1,173.10	1,248.70	1,327.50	1,429.00	1,494.60	1,553.80
Disability maximum family benefit [1]	90.00	240.30	510.00	712.20	856.20	1,006.00	1,070.80	1,138.30	1,225.30	1,281.60	1,332.30
Disabled worker: [2]											
Worker alone	90.00	240.00	346.00	474.00	570.00	670.00	713.00	758.00	816.00	854.00	888.00
Worker, spouse, and 1 child	90.00	240.00	508.00	710.00	854.00	1,004.00	1,069.00	1,136.00	1,224.00	1,280.00	1,332.00
Retired worker claiming benefits at age 62: [3]											
Worker alone	72.00	192.00	277.00	379.00	456.00	536.00	571.00	607.00	653.00	683.00	710.00
Worker with spouse claiming benefits at:											
Age 65 or over	117.00	312.00	450.00	616.00	741.00	871.00	927.00	986.00	1,061.00	1,110.00	1,154.00
Age 62 [3]	105.00	282.00	407.00	557.00	670.00	787.00	838.00	891.00	959.00	1,003.00	1,043.00

TABLE 15.—EXAMPLES OF MONTHLY CASH BENEFIT AWARDS FOR SELECTED BENEFICIARY FAMILIES WITH FIRST ELIGIBILITY IN 1984, BY AVERAGE INDEXED MONTHLY EARNINGS—Continued

Beneficiary family	Average indexed monthly earnings of insured worker										
	$100	$267	$600	$1,000	$1,300	$1,612	$1,900	$2,200	$2,587	$2,837	$3,062
Widow or widower claiming benefits at:											
Age 65 or over [4]	90.00	240.00	346.00	474.00	570.00	670.00	713.00	758.00	816.00	854.00	888.00
Age 60 (or age 50 if disabled)	64.00	171.00	247.00	339.00	408.00	479.00	510.00	542.00	584.00	610.00	635.00
1 surviving child	67.00	180.00	260.00	356.00	428.00	503.00	535.00	569.00	612.00	640.00	666.00
Widow or widower age 65 or over and 1 child	134.00	359.00	525.00	830.00	998.00	1,173.00	1,248.00	1,327.00	1,428.00	1,494.00	1,552.00
Widowed mother or father and 1 child	134.00	360.00	520.00	712.00	856.00	1,006.00	1,070.00	1,138.00	1,224.00	1,280.00	1,332.00
Widowed mother or father and 2 children	135.00	360.00	525.00	873.00	1,026.00	1,173.00	1,248.00	1,326.00	1,428.00	1,494.00	1,551.00

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[1] The 1980 Amendments to the Social Security Act provide for different family maximum amounts for disability cases. For disabled workers entitled after June 1980, the maximum in the smaller of (1) 85 percent of the worker's AIM (or 100 percent of the PIA, if larger), or (2) 150 percent of the PIA.

[2] Benefits in this section are generally not possible until July 1984 due to the 5 month waiting period for disability benefits.

[3] Assumes maximum reduction.

[4] A widow(er)'s benefit amount is limited to the amount the spoouse would have been receiving if still living but not less than 82½ percent of the PIA.

Source: Office of Research, Statistics, and International Policy, Social Security Administration.

APPENDIX A. STATISTICAL HISTORY AND FUTURE BENEFIT PROJECTIONS OF THE SOCIAL SECURITY PROGRAMS

The Social Security Act of 1935 was signed into law on August 14, 1935. The immediate origin of this legislation was the Committee on Economic Security which had been charged by President Roosevelt with the task of devising safeguards "against misfortune which cannot be wholly eliminated in the man-made world of ours."

In addition to the Federal old-age retirement program (title II), the original Social Security Act also included grants-in-aid to States for: old-age pensions based on need (title I); unemployment compensation systems (title III); aid to dependent children (title IV); maternal and child welfare services, the care of crippled children and vocational rehabilitation (title VI).

The original act has been amended on numerous occasions since 1935. However, the most significant changes to title II were made by the Social Security Amendments of 1939, 1950, 1954, 1956, 1965, 1972, 1977, and 1983. In addition, the medicare title XVIII program was added to the Social Security Act in 1965.

Today the term "social security" is seldom used to refer to all of the programs included in the Social Security Act. The term is most often used to refer to either solely title II, the old-age and survivor program insurance program and, since 1956, the disability insurance program, or to both title II and to title XVIII, the medicare program. This appendix presents historical data concerning the coverage, benefits and financing of each of the three programs.

COVERAGE

The original Social Security Act provided coverage on a mandatory basis under the old-age insurance program of all employees in commerce and industry (except railroad) under age 65. Specifically excluded from coverage "due to difficulties in collecting the tax" were the following services: agricultural labor; domestic services in a private home; casual labor not in the course of the employer's trade or business; and services performed by an officer or member of a crew on a documented vessel. Also specifically excluded were services performed in the employ of: the United States Government, a state or any political subdivision of a state; and non-profit (including religious) organizations.

Coverage has been extended both on a mandatory and a voluntary basis. Mandatory coverage was extended to workers age 65 and over not otherwise excluded in 1939. In 1950 non-farm self-employed, regularly employed farm and domestic workers, and Federal civilian employees not under a retirement system were covered on a mandatory basis. In addition, the 1950 amendments provided elective coverage to State and local government employees not under a retirement system and employees of nonprofit organizations.

The most significant extensions of coverage provided by the 1954 amendments were to self-employed farmers on a mandatory basis and, on an elective basis, State and local government employees (except firemen and policemen) under retirement systems and ministers. Coverage was extended to members of the uniformed services in 1956, and to ministers and members of religious orders who do not choose to be exempt on religious grounds. In 1983, coverage was extended on a compulsory basis to the following major groups: Federal employees hired after January 1, 1984; current and future Members of Congress; the President and Vice President; Federal judges; and all employees of nonprofit organizations.

The following two tables detail the extension of coverage under the social security program in terms of both jobs and wages:

TABLE 1.—CIVILIAN JOBS COVERED BY SOCIAL SECURITY SYSTEM, 1939–81

[In millions]

Year	Paid civilian employees [1]	OASDHI coverage	Percent covered
1939 [2]	43.6	24.0	55.1
1944 [2]	51.2	30.8	60.2
1949 [2]	56.7	34.3	60.5
1954 [2]	59.5	45.3	76.1
1955	62.8	51.8	82.5
1956	63.2	53.2	84.2
1957	63.1	53.7	85.1
1958	62.7	53.4	85.2
1959	64.4	55.4	86.0
1960	64.6	55.7	86.2
1961	65.3	56.1	85.9
1962	66.4	57.3	86.3
1963	67.6	58.5	86.5
1964	69.3	60.1	86.7
1965	71.6	62.7	87.6
1966	73.6	64.9	88.2
1967	74.4	65.7	88.3
1968	75.9	67.1	88.4
1969	78.0	68.6	87.9
1970	77.6	69.2	89.2
1971	79.3	69.8	88.0
1972	82.1	72.6	88.4
1973	84.9	75.6	89.0
1974	84.5	75.2	89.0
1975	84.8	75.7	89.3
1976	87.8	80.3	91.5

TABLE 1.—CIVILIAN JOBS COVERED BY SOCIAL SECURITY SYSTEM, 1939–81—Continued

[In millions]

Year	Paid civilian employees [1]	OASDHI coverage	Percent covered
1977	92.0	82.1	89.2
1978	95.2	83.2	87.4
1979	97.5	87.6	89.8
1980	97.0	86.5	89.2
1981	96.9	NA	NA

[1] Includes paid employees and self-employed for all years.
[2] Monthly average for these years; all other years as of December.

Source: Social Security Statistical Supplement, 1982, table 4, and Office of Research, Statistics, and International Policy.

TABLE 2.—CIVILIAN WAGES COVERED BY SOCIAL SECURITY SYSTEM, 1946–83 [1]

[Dollars in billions]

Year	Total earnings	Earnings in covered employment		Total covered earnings	Percent covered earnings
		Employed	Self-empl.		
1946	$148.7	$79.0		$79.0	53.1
1947	159.0	92.1		92.1	57.9
1948	176.4	101.9		101.9	57.8
1949	171.1	99.6		99.6	58.2
1950	185.7	109.4		109.4	58.9
1951	214.5	131.2	$16.3	147.5	68.8
1952	228.7	141.8	16.3	158.1	69.1
1953	240.4	154.0	16.9	170.9	71.1
1954	238.0	153.2	16.7	169.9	71.4
1955	254.5	169.4	24.4	193.8	76.1
1956	272.3	186.2	28.1	214.3	78.7
1957	284.5	203.1	28.2	231.3	81.3
1958	288.9	205.6	28.3	233.9	81.2
1959	306.5	222.5	29.7	252.2	82.3
1960	319.1	234.3	29.1	263.4	82.5
1961	328.0	238.8	29.9	268.7	81.9
1962	357.9	255.7	31.3	287.0	80.2
1963	363.9	268.2	31.6	299.8	82.4
1964	388.6	288.4	33.5	321.9	82.8
1965	418.9	308.6	40.2	348.8	83.2
1966	458.9	344.2	43.9	388.1	84.6
1967	488.2	374.7	44.7	419.4	85.9
1968	533.6	410.5	46.3	456.8	85.6
1969	582.7	452.5	46.9	499.4	85.3

TABLE 2.—CIVILIAN WAGES COVERED BY SOCIAL SECURITY SYSTEM, 1946–83 [1]—Continued

[Dollars in billions]

Year	Total earnings	Earnings in covered employment		Total covered earnings	Percent covered earnings
		Employed	Self-empl.		
1970	614.9	480.0	47.9	527.9	85.8
1971	650.3	505.2	50.6	555.8	85.5
1972	712.1	559.1	54.5	613.6	86.2
1973	796.4	619.8	62.8	682.6	85.7
1974	854.5	678.1	65.6	743.7	87.0
1975	896.4	717.2	70.4	787.6	87.3
1976	984.0	797.9	76.8	874.7	88.9
1977	1,087.0	879.5	80.6	960.1	88.3
1978	1,224.8	993.1	93.3	1,086.4	88.7
1979	1,369.7	1,115.2	97.5	1,212.7	88.5
1980 [2]	1,474.1	1,220.8	95.0	1,315.8	89.3
1981 [2]	1,613.3	1,351.0	93.3	1,444.3	89.5
1982 [2]	1,677.1	1,408.0	90.8	1,498.8	89.4
1983 [2]	NA	1,494.1	103.3	1,597.4	NA

[1] The "total earnings" series (1946–1979) was revised by the Bureau of Economic Analysis for the 1980 Social Security Statistical Supplement. The revisions for 1946–1974 appear on the succeeding table. The revisions for 1975–1983 appear above with revisions and projections for other categories through 1982.

[2] Projected.

Source: Social Security Statistical Supplement, 1982, table 5, Office of Research, Statistics, and International Policy.

BENEFITS

In order to be fully insured, under the 1939 Amendments, a worker needed 2 quarters of coverage for each year elapsed since 1936 and before the quarter in which the worker died or turned 65. The minimum required for insured status was 6 quarters and the maximum was 40. The Social Security Amendments of 1950 significantly increased the number of workers who were insured for monthly benefits by requiring only one quarter of coverage, which could be earned at any time, for each calendar year after 1950 or age 21, subject to the same maximum and minimum. The 1967 Amendments liberalized the insured status requirements for disability benefits for workers under age 31 which significantly increased the number of workers insured for disability beginning in 1969.

The 1935 Social Security Act provided monthly benefits to retired workers age 65 and over and a lump-sum death benefit to these workers. The monthly benefits were to first be paid beginning January 1, 1942. The 1939 Social Security Amendments provided benefits to dependents—wives aged 65 and over and children under age 18—of retired workers, and to survivors—widows aged 65, mothers with eligible child in care, children under age 18, and dependent parents—of deceased workers. In addition the 1939 Amendments provided that these benefits first be paid in 1940.

Benefits which have been provided in retirement and survivors programs since 1939 include: retired women aged 62–65 (1956); retired men aged 62–65 (1961); widows aged 60–64 (1956 and 1965); widowers aged 60 and over (1950, 1961, and 1972).

In 1956, benefits were extended to disabled workers aged 50–64 and to disabled children age 18 and over, if they became disabled prior to age 18. The Social Security Amendments of 1958 provided benefits to the dependents of disabled workers on the same basis as dependents of retired workers. Benefits for disabled workers under age 50 were provided in 1960.

Monthly cash benefits have been increased in order to offset the effects of inflation on an ad hoc basis 10 times prior to the first automatic cost-of-living adjustment which was incorporated in the act by the Social Security Amendments of 1972. Beginning with the 1975 increase, benefits have been increased automatically. Because inflation has been more than 3 percent in every year since 1925, there have been increases annually.

The following tables provide historical background concerning changes in insured status, benefit types, average amounts and increases, and OASDHI benefits paid:

TABLE 3.—INSURED STATUS AND COVERED WORKERS, 1940–83

[In millions]

At beginning of year	Total number of living workers	Living workers insured for retirement and/or survivor benefits						Living workers insured in event of disability
		Total insured		Fully insured			Currently insured only	
		Number	Percent	Total	Permanently insured	Not permanently insured		
1940	40.7	22.9	56.3	22.9	0.6	22.3	(1)	....
1941	44.8	24.9	55.6	24.2	1.1	23.1	0.7	....
1942	50.9	27.5	54.0	25.8	1.4	24.4	1.7	....
1943	58.5	31.2	53.3	28.1	1.8	26.3	3.1	....
1944	65.4	34.9	53.4	29.9	2.3	27.6	5.0	....
1945	69.6	38.6	55.5	31.9	2.8	29.1	6.7	....
1946	72.4	40.3	55.7	33.4	3.4	30.0	6.9	....
1947	75.2	41.8	55.6	35.4	8.6	26.8	6.4	....
1948	77.4	43.4	56.1	37.3	11.6	25.7	6.1	....
1949	79.4	44.8	56.4	38.9	13.2	25.7	5.9	....
1950	80.8	45.7	56.6	40.1	14.9	25.2	5.6	....
1951	82.7	59.8	72.3	59.8	21.0	38.8	(1)	....
1952	88.0	62.8	71.4	62.8	22.9	39.9	(1)	....
1953	90.8	68.2	75.1	68.2	25.6	42.7	(1)	....
1954	93.1	71.0	76.3	71.0	27.7	43.4	(1)	....

TABLE 3.—INSURED STATUS AND COVERED WORKERS, 1940–83—Continued

[In millions]

At beginning of year	Total number of living workers	Living workers insured for retirement and/or survivor benefits						Living workers insured in event of disability
		Total insured		Fully insured			Currently insured only	
		Number	Percent	Total	Permanently insured	Not permanently insured		
1955......	94.7	70.6	74.6	70.2	29.9	40.4	.4	31.9
1956......	98.6	71.4	72.4	70.5	32.5	38.0	.9	35.4
1957......	101.4	74.3	73.3	74.0	36.1	38.0	.3	37.2
1958......	103.8	77.0	74.2	76.1	38.3	37.9	.9	38.4
1959......	105.3	78.9	74.9	76.5	40.3	36.2	2.4	43.4
1960......	107.4	79.7	74.2	76.7	42.2	34.6	3.0	46.4
1961......	109.4	85.4	78.1	84.4	47.6	36.8	1.0	48.5
1962......	111.2	89.1	80.1	88.5	53.3	35.3	.5	50.5
1963......	113.3	90.4	79.8	89.8	54.9	34.8	.6	51.5
1964......	115.6	92.0	79.6	91.3	56.6	34.7	.8	52.3
1965......	118.1	93.6	79.3	92.8	58.3	34.5	.9	53.3
1966......	121.3	95.8	79.0	94.8	60.2	34.6	.9	55.0
1967......	125.0	98.3	78.6	97.2	61.9	35.3	1.1	55.7
1968......	127.9	101.2	79.1	99.9	63.3	36.6	1.3	56.9
1969......	130.8	104.0	79.5	102.6	64.5	38.1	1.4	70.1
1970......	133.5	106.9	80.1	105.4	65.8	39.6	1.5	72.4
1971......	135.9	109.8	80.8	108.2	67.0	41.2	1.6	74.5
1972......	138.2	112.2	81.2	110.7	68.2	42.5	1.7	76.1
1973......	140.6	114.8	81.7	113.3	69.8	43.5	1.6	77.8
1974......	142.9	118.1	82.6	116.5	71.0	45.5	1.6	80.4
1975......	145.2	121.6	83.7	120.0	72.6	47.4	1.6	83.3
1976......	148.3	124.6	84.0	123.0	74.2	48.8	1.6	85.3
1977......	151.0	127.4	84.4	125.8	76.0	49.8	1.6	87.0
1978......	153.7	130.4	84.8	128.9	78.0	50.9	1.5	89.3
1979......	156.4	134.8	86.2	133.0	80.1	52.9	1.8	93.7
1980......	159.0	138.3	87.0	136.7	82.5	54.2	1.6	98.0
1981 [2]...	161.5	142.1	88.0	140.3	84.8	55.5	1.8	100.4
1982 [2]...	164.0	145.7	88.8	144.0	87.0	57.0	1.7	101.7
1983 [2]...	166.3	149.5	89.9	147.8	89.2	58.6	1.7	103.4

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[1] Persons currently insured before July 1940, or currently insured after August 1950 and before July 1954, are also fully insured.

[2] Preliminary.

Source: Social Security Statistical Supplement, 1982, and Office of Research, Statistics, and International Policy.

TABLE 4.—PERCENT OF INSURED WORKERS AGED 62 AND OVER IN CURRENT PAYMENT STATUS, 1941–83 [1]

	Aged 62–64			Aged 65 and over		
	Male	Female	Total	Male	Female	Total
1941				20	25	20
1945				29	40	30
1950				59	61	59
1951				57	55	56
1952				64	70	65
1953				60	64	61
1954				66	71	67
1955				70	75	71
1956				75	80	76
1960		44	44	84	87	85
1965	32	47	38	89	89	89
1966	32	46	37	90	89	89
1967	33	46	38	90	91	91
1968	33	46	38	90	91	90
1969	34	46	39	90	91	90
1970	34	46	39	90	90	90
1971	36	47	41	90	90	90
1972	39	49	43	91	89	90
1973	41	52	46	92	90	91
1974	44	54	48	94	91	93
1975	46	56	50	94	91	93
1976	49	57	53	94	91	93
1977	49	57	53	94	91	93
1978	52	59	55	94	91	93
1979	51	58	54	94	91	93
1980	52	59	55	94	91	93
1981	53	59	56	94	91	93
1982	55	59	57	94	91	93
1983	56	59	57	94	91	93

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[1] Includes both OASI and DI worker benefits.

Source: Social Security Statistical Supplement, 1982, and Office of Research, Statistics, and International Policy.

TABLE 5.—OASDI AVERAGE MONTHLY BENEFITS IN CURRENT-PAYMENT STATUS, BY SELECTED FAMILY GROUPS, SELECTED YEARS, 1944–80

[Average monthly amount]

At end of year	Retired-worker families				Survivor families				Disabled-worker families				
	Worker only			Worker and wife	Aged widow only	Widowed mother and—			Worker only			Worker, wife, and—	
	Total	Men	Women			1 child	2 children	3 or more children	Total	Men	Women	1 child	2 or more children
1944.....	23.00	24.10	19.30	37.90	20.20	34.40	47.30	50.10	...	...	...	...	...
1950.....	42.20	44.60	34.80	71.70	36.50	76.90	93.90	92.40	...	...	...	...	...
1955.....	59.10	64.60	49.80	103.50	48.70	106.80	135.40	133.20	...	...	...	...	...
1960.....	69.90	79.90	59.60	123.90	57.70	131.70	188.00	181.70	87.90	91.90	76.90	184.70	192.20
1965.....	80.10	90.50	70.00	141.50	73.90	153.00	219.80	218.10	95.40	100.70	85.00	201.00	216.30
1970.....	114.20	128.70	101.60	198.90	102.40	213.00	291.10	289.90	128.10	136.30	113.10	264.10	273.20
1971.....	127.40	143.70	113.30	222.30	114.40	238.30	320.00	315.60	142.70	152.69	124.90	290.20	296.70
1972.....	157.10	177.00	140.20	272.50	138.30	290.00	383.10	376.10	175.00	188.20	151.80	356.30	362.80
1973.....	161.60	180.10	146.00	276.70	158.40	297.80	391.00	377.90	178.20	192.80	153.20	364.80	367.20
1974.....	183.10	204.20	164.60	312.30	178.80	335.00	438.40	421.90	200.00	217.80	170.60	409.90	411.30
1975.....	201.60	225.50	181.80	343.90	195.90	367.20	468.60	461.80	218.90	240.00	185.00	441.00	454.00
1976.....	218.80	245.10	197.10	373.10	211.00	399.80	503.40	499.70	327.40	261.40	199.40	482.20	495.70
1977.....	236.80	265.90	213.10	404.40	226.50	436.80	546.60	538.60	265.50	283.80	213.80	525.80	538.10
1978.....	256.60	288.90	230.30	437.50	243.60	474.00	591.90	582.80	277.90	308.50	230.20	568.00	585.90
1979.....	287.00	324.00	257.10	488.60	270.30	532.90	655.00	646.70	308.90	343.60	254.80	632.70	655.70
1980.....	333.00	377.10	297.40	566.60	311.60	612.80	759.20	740.50	355.40	396.20	291.70	727.00	746.10

Source: Social Security Statistical Supplement, 1982, and Office of Research, Statistics, and International Policy.

TABLE 6.—HISTORICAL COMPARISON OF AVERAGE WAGE INCREASES TO BENEFIT INCREASES AND CHANGES IN CPI

[In percent]

	Increases in wages [1]		Increase in CPI [2]		Increase in benefits [3]	
	Over prior year	Cumulative from each year to 1983	Over prior year	Cumulative from each year to 1983	Over prior year	Cumulative from each year to 1983
1965	1.8	225.8	1.7	214.7	7.0	283.2
1966	6.0	207.4	2.9	205.9	...	283.2
1967	5.6	191.1	2.9	197.3	...	283.2
1968	6.9	172.3	4.2	185.3	13.0	239.1
1969	5.8	157.4	5.4	170.7	...	239.1
1970	5.0	145.1	5.9	155.6	15.0	194.9
1971	5.0	133.4	4.3	145.0	10.0	168.0
1972	9.8	112.6	3.3	137.2	20.0	123.4
1973	6.3	100.0	6.2	123.4	...	123.4
1974	5.9	88.8	11.0	101.2	11.0	101.2
1975	7.5	75.7	9.1	84.4	8.0	86.3
1976	6.9	64.3	5.7	74.5	6.4	75.1
1977	6.0	55.0	6.5	63.8	5.9	65.4
1978	7.9	43.7	7.6	52.3	6.5	55.3
1979	8.7	32.2	11.4	36.7	9.9	41.3
1980	9.0	21.3	13.5	20.4	14.3	23.6
1981	10.1	10.1	10.2	9.3	11.2	11.2
1982	[4] 5.3	4.6	6.0	3.1	7.4	3.5
1983	[5] 4.6	...	[5] 3.1	...	[6] 3.5	...

[1] Average annual earnings series used to index earnings records.
[2] Increase in annual average CPI-W.
[3] Legislated benefit increases through 1975 and increases based on CPI thereafter.
[4] Preliminary.
[5] Projected under 1983 Trustees Report Alternative II-B assumptions.
[6] Effective December 1983, payable January 1984.

Source: Office of Research, Statistics, and International Policy.

TABLE 7.—OASDHI EXPENDITURES AS PERCENT OF TOTAL SOCIAL WELFARE EXPENDITURE [1]

[Dollars in millions]

	Total expenditure [2]	OASDHI	Percent
1929	$3,921	...	...
1940	8,795	$40.4	0.5
1950	23,508	784.1	3.3
1955	32,640	4,436.3	13.6

TABLE 7.—OASDHI EXPENDITURES AS PERCENT OF TOTAL SOCIAL WELFARE EXPENDITURE [1]—Continued

[Dollars in millions]

	Total expenditure [2]	OASDHI	Percent
1960	52,293	11,032.3	21.1
1965	77,175	16,997.5	22.0
1970	145,856	36,835.4	25.3
1975	290,080	78,429.9	27.0
1977	360,602	105,410.1	29.2
1978	394,632	117,431.9	29.8
1979	430,684	131,719.4	30.6
1980	493,354	152,110.4	30.8

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[1] Expenditures include those from Federal, State and local revenues (general and special) and trust funds and other expenditures under public law.

[2] Includes expenditures for public education, health and medical programs, veteran's programs, public aid (including SSI and food stamps) as well as social insurance programs other than social security.

Source: Social Security Statistical Supplement, 1982.

TABLE 8.—TOTAL OASDI BENEFITS PAID, AND AS A PERCENT OF PERSONAL INCOME

[In millions]

Year	Total benefits	Cash benefits		Personal income [3]	Total benefits as a percent of personal income
		OASI	DI		
1937	$1	$1	....	$73,839	(1)
1938	10	10	....	68,041	(1)
1939	14	14	....	72,434	(1)
1940	35	35	....	77,902	(1)
1941	88	88	....	95,426	0.1
1942	131	131	....	122,573	.1
1943	166	166	....	150,845	.1
1944	209	207	....	164,511	.1
1945	274	274	....	169,958	.2
1946	378	378	....	177,608	.2
1947	466	466	....	190,080	.2
1948	556	556	....	209,014	.3
1949	667	667	....	206,375	.3
1950	961	961	....	227,181	.4
1951	1,885	1,885	....	254,942	.7
1952	2,194	2,194	....	271,772	.8
1953	3,006	3,006	....	287,688	1.0
1954	3,670	3,670	....	289,603	1.3

TABLE 8.—TOTAL OASDI BENEFITS PAID, AND AS A PERCENT OF PERSONAL INCOME—Continued

[In millions]

Year	Total benefits	Cash benefits		Personal income [3]	Total benefits as a percent of personal income
		OASI	DI		
1955	4,968	4,968		310,341	1.6
1956	5,715	5,715		332,577	1.7
1957	7,404	7,347	$57	351,017	2.1
1958	8,576	8,327	249	361,146	2.4
1959	10,298	9,846	457	384,429	2.7
1960	11,245	10,677	568	402,346	2.8
1961	12,749	11,862	887	417,816	3.1
1962	14,461	13,356	1,105	443,626	3.3
1963	15,427	14,217	1,210	466,199	3.3
1964	16,223	14,914	1,309	499,205	3.2
1965	18,311	16,737	1,573	540,653	3.4
1966	20,048	18,267	1,781	588,167	3.4
1967	21,406	19,468	1,939	629,989	3.4
1968	24,938	22,642	2,294	690,604	3.6
1969	26,751	24,209	2,542	754,673	3.5
1970	31,863	28,796	3,067	811,088	3.9
1971	37,171	33,413	3,758	868,448	4.3
1972	41,595	37,122	4,473	951,353	4.4
1973	51,459	45,741	5,718	1,065,183	4.8
1974	58,521	51,618	6,903	1,168,593	5.0
1975	66,923	58,509	8,414	1,264,963	5.3
1976	75,665	65,699	9,966	1,391,192	5.4
1977	84,576	73,113	11,463	1,540,407	5.5
1978	92,865	80,352	12,513	1,732,673	5.4
1979	104,264	90,556	13,708	1,951,170	5.3
1980	120,511	105,074	15,437	2,165,315	5.6
1981	140,994	123,795	17,199	2,434,988	5.8
1982	156,138	138,800	17,338	2,578,622	6.1
1983	[2] 166,887	[2] 149,428	[2] 17,459	NA	NA

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[1] Less than 0.05 percent.

[2] Projected.

[3] Numbers differ slightly from those used in previous years because of an adjustment in computation procedures.

NA = Not available.

Source: Social Security Statistical Supplement, 1982.

TABLE 9.—ESTIMATED COST OF OASDI AND HI SYSTEMS AS PERCENT OF GNP UNDER ALTERNATIVE II–B, 1983–2055

[In percent]

Calendar year	OASDI	HI	OASDI–HI
1983	5.19	1.22	6.41
1985	5.00	1.27	6.27
1990	4.92	1.51	6.43
1995	4.62	1.76	6.38
2000	4.33	1.97	6.30
2005	4.21	2.18	6.39
2010	4.34	2.36	6.70
2015	4.74	2.58	7.32
2020	5.22	2.86	8.08
2025	5.63	3.18	8.81
2030	5.86	3.44	9.30
2035	5.94	3.57	9.51
2040	5.87	3.59	9.46
2045	5.78	3.55	9.33
2050	5.74	3.51	9.25
2055	5.71	3.48	9.19
Averages:			
1983–2007	4.63	1.74	6.37
2008–2032	5.16	2.89	8.05
2033–2057	5.81	3.54	9.35
1983–2057	5.20	2.75	7.95

Source: 1983 Annual Report of the Board of Trustees of the Federal Old-Age and Survivors Insurance and Disability Insurance Trust Funds, Tables 30 and F3.

TABLE 10.—COST RATES FOR THE OASI AND DI TRUST FUNDS AS A PERCENT OF TAXABLE PAYROLL, 1940–82

[In percent]

Calendar year	OAI [1]	SI [1]	OASI	DI	OASDI
1940	0.10	0.9	0.19	....	0.19
1941	.16	.11	.27	....	.27
1942	.17	.13	.30	....	.30
1943	.18	.14	.32	....	.32
1944	.20	.16	.36	....	.36
1945	.26	.22	.48	....	.48
1946	.36	.25	.61	....	.61
1947	.40	.25	.65	....	.65

TABLE 10.—COST RATES FOR THE OASI AND DI TRUST FUNDS AS A PERCENT OF TAXABLE PAYROLL, 1940–82—Continued

[In percent]

Calendar year	OAI [1]	SI [1]	OASI	DI	OASDI
1948	.46	.26	.72	....	.72
1949	.58	.31	.89	....	.89
1950	.79	.38	1.17	....	1.17
1951	1.18	.50	1.68	....	1.68
1952	1.28	.55	1.83	....	1.83
1953	1.71	.64	2.35	....	2.35
1954	2.12	.77	2.89	....	2.89
1955	2.52	.82	3.34	....	3.34
1956	2.72	.84	3.56	....	3.56
1957	3.32	.97	4.29	0.03	4.32
1958	3.85	1.10	4.95	.15	5.10
1959	4.07	1.20	5.27	.24	5.51
1960	4.29	1.30	5.59	.30	5.89
1961	4.67	1.46	6.13	.47	6.60
1962	5.02	1.58	6.60	.56	7.16
1963	5.19	1.65	6.84	.59	7.43
1964	5.17	1.66	6.83	.62	7.45
1965	5.42	1.81	7.23	.70	7.93
1966	4.58	1.66	6.24	.64	6.88
1967	4.63	1.64	6.27	.65	6.92
1968	4.64	1.71	6.35	.67	7.03
1969	4.66	1.72	6.38	.70	7.08
1970	5.36	1.96	7.32	.81	8.12
1971	6.07	2.20	8.27	.97	9.23
1972	5.98	2.15	8.13	1.01	9.14
1973	6.21	2.38	8.59	1.09	9.69
1974	6.20	2.35	8.55	1.16	9.70
1975	6.77	2.52	9.29	1.36	10.65
1976	6.89	2.53	9.42	1.44	10.86
1977	6.93	2.53	9.46	1.50	10.97
1978	6.85	2.44	9.29	1.45	10.74
1979	6.59	2.31	8.90	1.36	10.26
1980	6.95	2.41	9.36	1.38	10.75
1981	7.40	2.52	9.92	1.38	11.30
1982	8.01	2.58	10.59	1.34	11.94

[1] These estimates are based on the assumption that total OASI expenditures are distributed between OAI and SI in the same proportions as for actual benefits.

Note: All numbers in this table are presented as percentages of taxable payroll and are based on data published in 1983 and earlier Trustees Reports.

Source: Office of the Actuary, Social Security Administration.

TABLE 11.—ESTIMATED COST RATES FOR THE OASDI TRUST FUND AS A PERCENT OF TAXABLE PAYROLL, 1983–2060

[In percent]

Calendar year	OAI	SI	OASI	DI	OASDI
1983	7.91	2.37	10.28	1.21	11.49
1985	7.94	2.30	10.24	1.09	11.33
1990	8.07	2.19	10.26	1.01	11.27
1995	7.63	2.05	9.68	0.97	10.65
2000	7.15	1.91	9.06	1.02	10.08
2005	6.91	1.81	8.72	1.18	9.90
2010	7.20	1.75	8.95	1.37	10.31
2015	8.21	1.72	9.93	1.49	11.43
2020	9.46	1.75	11.21	1.55	12.76
2025	10.60	1.80	12.40	1.56	13.96
2030	11.36	1.86	13.22	1.51	14.73
2035	11.71	1.91	13.62	1.53	15.16
2040	11.66	1.94	13.60	1.57	15.17
2045	11.61	1.95	13.56	1.61	15.17
2050	11.73	1.93	13.66	1.61	15.27
2055	11.89	1.90	13.79	1.60	15.40
2060	11.95	1.90	13.85	1.59	15.44
25-year averages:					
1983–2007	7.55	2.05	9.61	1.06	10.66
2003–2032	9.36	1.78	11.14	1.49	12.64
2033–2057	11.72	1.93	13.65	1.58	15.23
75-year average:					
1983–2057	9.54	1.92	11.46	1.38	12.84

Note: All estimates in this table are presented as percentages of taxable payroll and are based on the Alternative II–B assumptions of the 1983 Trustees Report.

Source: Office of the Actuary.

TABLE 12.—PAST AND FUTURE EARNINGS LEVELS, PRIMARY INSURANCE AMOUNTS IN ACTUAL AND CONSTANT DOLLARS, AND REPLACEMENT RATES, UNDER PRESENT LAW, 1953–2040 [1]

Calendar year	Actual earnings in previous year			Benefits in year of entitlement						Replacement rates [3] (in percent)		
				Actual dollars			1982 constant dollars					
	Low earner	Average earner	Maximum earner [2]	Low earner	Average earner	Maximum earner [2]	Low earner	Average earner	Maximum earner [2]	Low earner	Average earner	Maximum earner [2]
1953	1,560	2,973	3,600	[4] 714	[4] 912	[4] 1,020	[4] 2,649	[4] 3,384	[4] 3,784	45.8	30.7	28.3
1955	1,560	3,156	3,600	774	1,091	1,182	2,868	4,042	4,380	49.6	34.6	32.8
1960	2,080	3,856	4,800	936	1,284	1,428	3,140	4,307	4,790	45.0	33.3	29.7
1965	2,600	4,576	4,800	1,040	1,439	1,580	3,276	4,530	4,976	40.0	31.4	32.9
1970	3,328	5,894	7,800	1,421	2,021	2,278	3,635	5,170	5,827	42.7	34.3	29.2
1975	3,883	8,031	13,200	2,309	3,400	3,973	4,262	6,276	7,334	59.5	42.3	30.1
1980	6,032	11,479	22,900	3,859	5,862	7,437	4,649	7,062	8,958	[4] 64.0	[4] 51.1	[4] 32.5
1983	6,968	14,498	32,400	4,429	6,655	8,532	4,429	6,655	8,533	63.6	45.9	26.3
1984	6,968	15,166	35,700	4,348	6,529	8,468	4,165	6,254	8,111	62.4	43.0	23.7
1985	7,232	15,741	37,500	[5] 4,496	6,666	8,727	[5] 4,090	6,064	7,938	[5] 62.2	42.3	23.3
1987	8,053	17,527	40,800	5,034	7,600	10,116	4,185	6,319	8,410	62.5	43.4	24.8
1990	9,459	20,588	48,000	5,623	8,536	11,535	4,152	6,303	8,517	59.4	41.5	24.0
2000	16,221	35,306	82,500	9,451	14,580	20,986	4,715	7,273	10,469	58.3	41.3	25.4
2010	27,708	60,308	141,300	15,677	24,399	38,214	5,283	8,391	12,878	56.6	41.3	27.0
2020	47,329	103,015	241,500	26,283	42,549	66,750	5,984	9,687	15,196	55.5	41.3	27.6

TABLE 12.—PAST AND FUTURE EARNINGS LEVELS, PRIMARY INSURANCE AMOUNTS IN ACTUAL AND CONSTANT DOLLARS, AND REPLACEMENT RATES, UNDER PRESENT LAW, 1953–2040 [1]—Continued

Calendar year	Actual earnings in previous year			Benefits in year of entitlement						Replacement rates [3] (in percent)		
				Actual dollars			1982 constant dollars					
	Low earner	Average earner	Maximum earner [2]	Low earner	Average earner	Maximum earner [2]	Low earner	Average earner	Maximum earner [2]	Low earner	Average earner	Maximum earner [2]
2030	80,845	175,964	412,500	44,487	72,673	114,043	6,842	11,177	17,540	55.0	41.3	27.6
2040	138,095	300,571	704,700	75,997	124,156	194,915	7,896	12,900	20,252	55.0	41.3	27.7

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[1] For workers becoming entitled at age 65 with steady career earnings and benefits rounded to nearest dollars.

[2] Earnings equal to the social security taxable earnings base.

[3] PIA in year of entitlement expressed as percent of earnings in year prior to entitlement.

[4] PIA's and replacement rates for these workers are based on the pre-1977 benefit formula.

[5] Based on special minimum PIA computation.

Source: Office of the Actuary, Social Security Administration.

FINANCING

The payroll tax is imposed on covered wages up to a specific dollar amount. Workers who earn more than the maximum taxable wage base do not pay FICA tax on their earnings above the wage base.

The wage base has increased numerous times from 1937 through 1982. A majority of these increases have been provided through specific legislative amendments. However, the wage base is currently automatically adjusted annually according to the average increase in wages in the economy, but only if the cost-of-living benefit increase was established for the previous July.

The tax rates have also been changed many times since 1937. Under the original act, the OASI tax rate was scheduled to gradually increase from 1 percent in 1937 to 3 percent in 1949. These increases were delayed several times during the 1940's and the tax rate did not increase to 1.5 percent until 1950. The current OASI tax rate is 4.575 percent. The tax for the disability insurance program was 0.25 percent in 1957 and is .825 percent in 1983. The hospital insurance (medicare part A) rate was 0.35 percent in 1966 and is currently 1.30 percent. (For 1984 only, employees are allowed a credit of 0.3 percent of their taxable wages against their FICA tax liability, reducing the effective tax rate to 6.7 percent.)

Beginning in 1984, the OASDHI rates for self-employed persons is equal to the combined employer-employee OASDHI rate.

For 1984, self-employed persons would be allowed a credit (comparable to the credit allowed employers against the FICA tax) against SECA tax equal to 0.3 percent of net self-employment income. In addition, beginning in 1984, self-employed persons would be entitled to a permanent credit against SECA tax. For 1984, the amount of the credit would be 2.7 percent of net self-employment income. For 1985, the amount of the credit would be 2.3 percent. For 1986 through 1989, the credit would be 2.0 percent. The SECA tax credit may directly be taken into account in computing SECA liability for a taxable year and estimated tax payments for that year.

Effective in 1990 and thereafter, the credit would terminate and be replaced with a system designed to achieve parity between employees and the self-employed. Under this system:

1. The base of the self-employment tax would be adjusted downward to reflect the fact that employees do not pay FICA tax on the value of the employer's FICA tax.
2. A deduction would be allowed for income tax purposes, for half of SECA Liability, to allow for the fact that employees do not pay income tax on the value of the employer's FICA tax.

The following two tables detail the annual taxable earnings base, the three individual and combined tax rates and the annual maximum contribution for both employees, employers, and self-employed persons:

TABLE 13.—ANNUAL MAXIMUM TAXABLE EARNINGS AND CONTRIBUTION RATE: EMPLOYERS AND EMPLOYEES, 1937–99

Beginning—	Annual maximum taxable earnings	Contribution rate			
		Total	OASI	DI	HI
1937	$3,000	1	1	...	...
1950	3,000	1.5	1.5	...	...
1951	3,600	1.5	1.5	...	...
1954	3,600	2	2	...	...
1955	4,200	2	2	...	...
1957	4,200	2.25	2	0.25	...
1959	4,800	2.5	2.25	.25	...
1960	4,800	3	2.75	.25	...
1962	4,800	3.125	2.875	.25	...
1963	4,800	3.625	3.375	.25	...
1966	6,600	4.2	3.5	.35	0.35
1967	6,600	4.4	3.55	.35	.5
1968	7,800	4.4	3.325	.475	.6
1969	7,800	4.8	3.725	.475	.6
1970	7,800	4.8	3.65	.55	.6
1971	7,800	5.2	4.05	.55	.6
1972	9,000	5.2	4.05	.55	.6
1973	10,800	5.85	4.3	.55	1.0
1974	13,200	5.85	4.375	.575	.9
1975	14,100	5.85	4.375	.575	.9
1976	15,300	5.85	4.375	.575	.9
1977	16,500	5.85	4.375	.575	.9
1978	17,700	6.05	4.275	.775	1.00
1979	22,900	6.13	4.33	.75	1.05
1980	25,900	6.13	4.52	.56	1.05
1981	29,700	6.65	4.70	.65	1.3
1982	32,400	6.7	4.575	.825	1.3
1983	35,700	6.7	4.775	.625	1.3
1984	37,800	7.0	5.2	.5	1.3
1985	([1])	7.05	5.2	.5	1.35
1986–1987	([1])	7.15	5.2	.5	1.45
1988–1989	([1])	7.51	5.53	.53	1.45
1990–1999	([1])	7.65	5.6	.60	1.45

[1] Subject to automatic increase.

Source: Social Security Bulletin, Annual Statistical Supplement, 1982, p. 19.

TABLE 14.—MAXIMUM ANNUAL CONTRIBUTION: EMPLOYEE, 1937–83

Beginning—	Total	OASI	DI	HI
1937	$30.00	$30.00		
1950	45.00	45.00		
1951	54.00	54.00		
1954	72.00	72.00		
1955	84.00	84.00		
1957	94.50	84.00	$10.50	
1959	120.00	108.00	12.00	
1960	144.00	132.00	12.00	
1962	150.00	138.00	12.00	
1963	174.00	162.00	12.00	
1966	277.20	231.00	23.10	$23.10
1967	290.40	234.30	23.10	33.00
1968	343.20	259.35	37.05	46.80
1969	374.40	290.55	37.05	46.80
1970	374.40	284.70	42.90	46.80
1971	405.60	315.90	42.90	46.80
1972	468.00	364.50	49.50	54.00
1973	631.80	464.40	59.40	108.00
1974	772.20	577.50	75.90	118.80
1975	824.85	618.88	81.08	126.90
1976	895.05	669.38	87.98	137.70
1977	965.25	721.88	94.88	148.50
1978	1,070.85	756.68	137.18	177.00
1979	1,403.77	991.57	171.75	240.45
1980	1,587.67	1,170.68	145.04	271.95
1981	1,975.05	1,395.90	193.05	386.10
1982	2,170.81	1,482.30	267.30	421.20
1983	2,391.90	1,704.68	223.12	464.10
Total cumulative employee contributions 1937 to 1983	19,328.39	14,533.13	1,897.26	2,898.00

Source: Social Security Bulletin, Annual Statistical Supplement, 1982, p. 20.

TABLE 15.—ANNUAL MAXIMUM TAXABLE EARNINGS AND CONTRIBUTION RATE: SELF-EMPLOYED, 1937–99

Beginning—	Annual maximum taxable earnings	Contribution rate			
		Total	OASI	DI	HI
1937	$3,000				
1950	3,000				
1951	3,600	2.25	2.25		
1954	3,600	3	3		
1955	4,200	3	3		
1957	4,200	3.375	3	0.375	
1959	4,800	3.75	3.375	.375	
1960	4,800	4.5	4.125	.375	
1962	4,800	4.7	4.325	.375	
1963	4,800	5.4	5.025	.375	
1966	6,600	6.15	5.275	.525	0.35
1967	6,600	6.4	5.375	.525	.5
1968	7,800	6.4	5.0875	.7125	.6
1969	7,800	6.9	5.5875	.7125	.6
1970	7,800	6.9	5.475	.825	.6
1971	7,800	7.5	6.075	.825	.6
1972	9,000	7.5	6.075	.825	.6
1973	10,800	8	6.205	.795	1.0
1974	13,200	7.9	6.185	.815	.9
1975	14,100	7.9	6.185	.815	.9
1976	15,300	7.9	6.185	.815	.9
1977	16,500	7.9	6.185	.815	.9
1978	17,700	8.10	6.01	1.09	1.00
1979	22,900	8.10	6.01	1.04	1.05
1980	25,900	8.10	6.2725	.7775	1.05
1981	29,700	9.30	7.025	.975	1.30
1982	32,400	9.35	6.8125	1.2375	1.30
1983	35,700	9.35	7.1125	.9375	1.30
1984	37,800	14.0	10.4	1.0	2.6
1985	(1)	14.1	10.4	1.0	2.7
1986 to 1987	(1)	14.3	10.4	1.0	2.9
1988–1989	(1)	15.02	11.06	1.06	2.9
1990–1999	(1)	15.3	11.2	1.2	2.9

[1] Subject to automatic increase.

Source: Social Security Bulletin, Annual Statistical Supplement, 1982, p. 19.

TABLE 16.—MAXIMUM ANNUAL CONTRIBUTION: SELF-EMPLOYED, 1937–83

Beginning—	Total	OASI	DI	HI
1937				
1950				
1951	$81.00	$81.00		
1954	108.00	108.00		
1955	126.00	126.00		
1957	141.75	126.00	$15.75	
1959	180.00	162.00	18.00	
1960	216.00	198.00	18.00	
1962	225.60	207.60	18.00	
1963	259.20	241.20	18.00	
1966	405.90	348.15	34.65	$23.10
1967	422.40	354.75	34.65	33.00
1968	499.20	396.82	55.57	46.80
1969	538.20	435.82	55.57	46.80
1970	538.20	427.05	64.35	46.80
1971	585.00	473.85	64.35	46.80
1972	675.00	546.75	74.25	54.00
1973	864.00	670.14	85.86	108.00
1974	1,042.80	816.42	107.58	118.80
1975	1,113.90	872.08	114.91	126.90
1976	1,208.70	946.30	124.69	137.70
1977	1,303.50	1,020.52	134.47	148.50
1978	1,433.70	1,063.77	192.93	177.00
1979	1,854.90	1,376.29	238.16	240.45
1980	2,097.90	1,624.58	201.37	271.95
1981	2,762.10	2,086.43	289.57	386.10
1982	3,029.40	2,207.25	400.95	421.20
1983	3,337.95	2,539.16	334.69	464.10
Cumulative contributions, 1937 to 1983	26,214.45	20,550.35	2,766.09	2,878.00

Source: Social Security Bulletin, Annual Statistical Supplement, 1982, p. 20.

TABLE 17.—TAXABLE COVERED WAGES AS A PERCENT OF ALL COVERED WAGES, 1937–83

Year	Earnings		
	Total in covered employment (in millions)	Reported taxable	
		Amount (in millions)	Percent of total
1937	$32,200	$29,620	92.0
1938	28,500	26,500	93.0
1939	32,200	29,750	92.4
1940	35,700	32,970	92.4
1941	45,500	41,850	92.0
1942	58,200	52,940	91.0
1943	69,700	62,420	89.6
1944	73,300	64,430	87.9
1945	71,600	62,950	87.9
1946	79,300	69,090	87.1
1947	92,400	78,370	84.8
1948	102,300	84,120	82.2
1949	100,000	81,810	81.8
1950	109,800	87,500	79.7
1951	148,900	120,770	81.1
1952	159,900	128,640	80.5
1953	173,000	135,870	78.5
1954	171,900	133,520	77.7
1955	196,100	157,540	80.3
1956	216,800	170,720	78.8
1957	233,900	181,380	77.5
1958	236,500	180,720	76.4
1959	255,000	202,310	79.3
1960	265,200	207,000	78.1
1961	270,700	209,640	77.4
1962	289,000	219,050	75.8
1963	302,300	225,550	74.6
1964	324,500	236,390	72.8
1965	351,700	250,730	71.3
1966	390,700	312,540	80.0
1967	422,300	329,960	78.1
1968	460,000	375,840	81.7
1969	502,800	402,550	80.1
1970	531,600	415,600	78.2
1971	559,700	426,960	76.3
1972	617,900	484,110	78.3
1973	686,700	561,850	81.8
1974	746,700	636,760	85.3

TABLE 17.—TAXABLE COVERED WAGES AS A PERCENT OF ALL COVERED WAGES, 1937–83—Continued

Year	Earnings		
	Total in covered employment (in millions)	Reported taxable	
		Amount (in millions)	Percent of total
1975	787,600	664,660	84.4
1976	874,700	737,700	84.4
1977	960,100	817,300	85.1
1978	1,086,400	915,800	84.3
1979	1,212,700	1,070,600	88.3
1980	1,315,800	1,174,200	89.2
1981	1,444,300	1,300,100	90.0
1982	1,498,800	1,354,000	90.3
1983	1,597,400	1,453,000	91.0

Source: Social Security Statistical Supplement, 1982, and Office of Research, Statistics, and International Policy, SSA.

Table 18 indicates the status of the three major social security funds, both separated and combined, measured as a percent of assets available at the beginning of each year:

TABLE 18.—ASSETS OF OLD-AGE AND SURVIVORS INSURANCE (OASI), DISABILITY INSURANCE (DI), AND HOSPITAL INSURANCE TRUST FUNDS AT BEGINNING OF YEAR AS PERCENT OF OUTGO DURING YEAR

[In percent]

Year	OASI	DI	HI	Combined
1937				
1938	7,660			7,660
1939	8,085			8,085
1940	2,781			2,781
1941	1,782			1,782
1942	1,737			1,737
1943	1,891			1,891
1944	2,025			2,025
1945	1,975			1,975
1946	1,704			1,704
1947	1,592			1,592
1948	1,542			1,542
1949	1,487			1,487
1950	1,156			1,156
1951	698			698

TABLE 18.—ASSETS OF OLD-AGE AND SURVIVORS INSURANCE (OASI), DISABILITY INSURANCE (DI), AND HOSPITAL INSURANCE TRUST FUNDS AT BEGINNING OF YEAR AS PERCENT OF OUTGO DURING YEAR—Continued

[In percent]

Year	OASI	DI	HI	Combined
1952	681			681
1953	564			564
1954	500			500
1955	405			405
1956	371			371
1957	300			300
1958	259	249		259
1959	212	284		215
1960	180	304		186
1961	164	239		169
1962	141	206		146
1963	123	183		128
1964	118	159		122
1965	109	121		110
1966	96	83		91
1967	101	83	28	90
1968	103	83	25	90
1969	102	111	43	95
1970	101	126	47	96
1971	94	140	54	93
1972	88	140	47	87
1973	75	125	40	76
1974	68	110	69	73
1975	63	92	79	68
1976	54	71	77	60
1977	47	48	66	50
1978	39	26	57	41
1979	30	30	54	34
1980	23	35	52	29
1981	18	21	45	23
1982	15	17	52	22

Source: Social Security Statistical Supplement, 1982 and various trustees' reports.

APPENDIX B. DEMOGRAPHIC AND ECONOMIC CHARACTERISTICS OF THE AGED

This appendix presents selected data on the demographic and economic characteristics of the elderly. The data presented here typically covers several time periods and describes the number (table 1), marital status (table 2), living arrangements (table 3), labor force participation (table 4), poverty status (table 5), income (tables 6–17), and assets (tables 18 and 19) of the elderly. The tables within the appendix are derived from the following sources:

(1) June O'Neil, sources of Income to the Elderly with Special Reference to Elderly Women (draft), the Urban Institute;

(2) Special tabulations of the March 1983 CPS survey by the Congressional Research Service prepared for "Background Material on Poverty," Committee on Ways and Means;

(3) U.S. Bureau of the Census, Current Population Report, series P–20 and P–60;

(4) Social Security Administration, Survey of Income and Program Participation, 1979; and

(5) 1981 Employment and Training Report of the President.

The data source for each table is noted at the bottom of each table.

Some definitions that may be useful for reading the tables:

(1) Aged and elderly refer to anyone 65 years and older.

(2) OASDI and social security are interchangeable terms.

(3) Supplemental security income, at times, is abbreviated SSI.

The information for tables 12–14 was obtained from the Social Security Administration's Survey of Income and Program Participation of 1979. These were special tabulations requested by committee staff to examine the income sources for families with elderly members.

Table 1 illustrates that the elderly as a percentage of the population will increase from 6.8 percent in 1940 to 12.7 percent in the year 2000. The actual number of individuals 65 and over will almost quadruple from 9 million in 1940 to 34.5 million in the year 2000. In addition, the percentage of the population age 75 and over, particularly women, will grow at an even faster rate. For example, the percentage of the population that is female and over age 75 was 1.1 percent in 1940 and will climb to 4.0 percent by the year 2000. In actual numbers, this is an increase from 1.4 million to 10.8 million.

Table 2 presents information on the marital status of aged individuals over time. The significant feature of the table is the large percentage of women 75 years and older who are widowed. As shown in Table 3, 69.0 percent of widowed women age 65 and older lived alone in 1982. Compared to 1970, the number of widowed women living alone has increased from 3.3 million to 5.2 million.

Table 4 presents information on the labor force participation rates of individuals age 55 and older. Since 1950, the labor force participation of men in this age group has steadily declined. For example, the rate has gone from 86.9 percent for men age 55 to 64 to 69.4 percent in 1983. The rate for men 65 and older has declined from 45.8 percent to 17.4 percent. The labor force participation rates for women are significantly different. The labor force participation for women age 55 to 64 has increased from 27.0 percent in 1950 to 41.5 percent in 1983. The rate for women 65 and over has remained roughly the same.

TABLE 1.—ELDERLY POPULATION AS PERCENT OF TOTAL POPULATION AND DISTRIBUTION OF ELDERLY BY AGE, 1940 TO 1970, AND PROJECTION 1979 TO 2025, SELECTED YEARS

	1940	1950	1960	1970	1979[1]	1990[1]	2000[1]	2025[1]
Population 65 years and older (in thousands)	9,019	12,257	16,207	20,101	25,187	31,577	34,488	56,118
Percent of total population	6.8	8.2	9.0	9.9	11.0	12.5	12.7	18.1
Percent distribution by age:								
Total 65 years and older	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Men 65 and older	48.8	46.8	45.1	42.0	40.2	39.9	39.6	40.9
Men 65 to 74	35.1	32.7	31.0	27.0	26.4	25.2	23.1	26.1
Men 75 and older	13.7	14.1	14.1	15.0	13.8	14.7	16.5	14.8
Women 65 and older	51.2	53.2	54.9	58.0	59.7	60.1	60.4	59.1
Women 65 to 74	35.6	35.9	35.9	34.8	34.3	32.3	29.2	32.2
Women 75 and older	15.6	17.3	19.0	23.2	25.4	27.8	31.2	26.9

[1] Projection.

Note: Population data for 1940 and 1950 include coterminous U.S. only; 1950 and 1960 refer to total U.S. population; 1979 to 2025 refer to total U.S. plus the outlying areas and include an adjustment for the population under count.

Source: 1940 to 1970, U.S. Bureau of the Census, U.S. Census of Population, 1940, 1960, and 1970; 1979 to 2025, 1979 Annual Report of the Board of Trustees of the Federal Old-Age and Survivors Insurance and Disability Insurance Trust Funds, and unpublished estimates from the Office of the Actuary, Social Security Administration. (O'Neill study.)

TABLE 2.—MARITAL STATUS OF AGED INDIVIDUALS,[1] BY SEX AND AGE, 1968, 1978, AND 1981

	1968		1978		1981	
	65 to 74	75 and over	65 to 74	75 and over	65 to 74	75 and over
Men:						
Number (in thousands)	5,096	2,776	6,080	3,090	6,732	3,375
Percent	100.0	100.0	100.0	100.0	100.0	100.00
Married, wife present	79.4	59.7	78.1	68.2	80.6	69.7
Married, wife absent	2.0	2.3	3.0	2.1	2.4	2.2
Widowed	10.8	30.3	9.7	23.0	8.2	22.1
Divorced	2.6	1.9	3.5	1.8	3.9	2.4
Never married	5.3	5.8	5.7	4.8	4.9	3.5
Women:						
Number (in thousands)	6,395	3,978	8,189	5,109	8,790	5,788
Percent	100.0	100.0	100.0	100.0	100.00	100.00
Married, husband present	45.6	20.5	46.2	21.6	48.3	21.8
Married, husband absent	1.5	.8	2.2	1.3	1.7	1.4
Widowed	43.3	70.2	41.2	69.3	40.1	68.2
Divorced	2.5	1.4	3.9	2.1	4.4	2.3
Never married	7.1	7.2	6.6	5.7	5.4	6.2

[1] Civilian noninstitutional population only for both 1968 and 1978.

Note: Details may not add to totals due to rounding.

Source: U.S. Bureau of the Census, Current Population Report, series P–20, Nos. 187, 338, and 372.

TABLE 3.—LIVING ARRANGEMENTS OF PERSONS AGED 65 AND OVER, 1970 AND 1982

[Civilian noninstitutionalized population, number in thousands]

Living arrangement	Total	Percent	Widowed men	Percent	Widowed women	Percent
Total:						
1970	19,061	100.0	1,333	100.0	5,946	100.0
1982	25,232	100.0	1,280	100.0	7,523	100.0
In families:						
1970	13,347	70.0	499	37.4	2,386	40.1
1982	17,090	67.7	314	24.5	2,175	28.9
Living alone:						
1970	5,071	26.6	708	53.1	3,309	55.7
1982	7,673	30.4	897	70.1	5,189	69.0
Other:						
1970	645	3.4	126	9.5	251	4.2
1982	468	1.9	69	5.4	159	2.1

Source: Bureau of the Census, Current Population Reports, P–20, No 376.

TABLE 4.—CIVILIAN LABOR FORCE PARTICIPATION RATES [1] OF PERSONS 55 YEARS AND OVER, BY AGE AND SEX, SELECTED YEARS, 1950–83

Years	1950	1955	1960	1965	1970	1975	1980	1983
Men:								
55 to 64	86.9	87.9	86.8	84.6	83.0	75.8	72.3	69.4
55 to 59	(2)	92.5	91.6	90.2	89.5	84.4	81.9	80.7
60 to 64	(2)	82.5	81.1	78.0	75.0	65.7	61.0	57.0
60 to 61	(2)	(2)	(2)	84.8	82.6	75.2	71.8	69.7
62 to 64	(2)	(2)	(2)	73.2	69.4	58.8	52.8	47.7
65 and over	45.8	39.6	33.1	27.9	26.8	21.7	19.1	17.4
Women:								
55 to 64	27.0	32.5	37.2	41.4	43.0	41.0	41.5	41.5
55 to 59	(2)	35.6	42.2	47.1	50.4	47.9	48.6	48.8
60 to 64	(2)	29.0	31.4	34.0	36.1	33.3	33.3	33.8
60 to 61	(2)	(2)	(2)	40.4	41.4	39.5	39.8	40.5
62 to 64	(2)	(2)	(2)	29.5	32.3	29.0	28.6	29.1
65 and over	9.7	10.6	10.8	10.0	9.7	8.3	8.1	7.8

[1] Civilian labor force as percent of civilian population.

[2] Data not available.

Source: Monthly Labor Review, November 1979 (O' Neill study), 1981 Employment and Training Report of the President, and January issue of Employment and Earnings.

Table 5 presents information on the poverty status of elderly individuals. Overall, 3.8 million, or 14.6 percent of the noninstitutionalized aged, were poor in 1982. In spite of the slightly lower incidence of poverty among the aged than for the population as a whole, poverty among the aged varied considerably. As with other groups, the poverty rate among the black aged was higher than that of the white aged—38.2 percent compared to 12.4 percent, respectively. The poverty rate for persons aged 75 and over was higher (18.1 percent) than that for persons between 65 and 74 years of age (12.4 percent). Unrelated aged individuals, who generally tend to be older than aged persons living in families and are likely to be female, had a poverty rate (27.1 percent), over three times greater than that of aged persons living in families (8.5 percent). White unrelated individuals had a poverty rate of 23.5, while black unrelated individuals had a rate of 61.6 percent. Women, who accounted for 59.1 percent of the noninstitutionalized aged population, accounted for 70.9 percent of the aged poor.

TABLE 5.—CHANGES IN POVERTY STATUS OF ALL PERSONS, AND THE ELDERLY BY SEX, RACE AND FAMILY STATUS, SELECTED YEARS 1959 TO 1982

[Percent below the poverty level]

	1959	1966	1970	1975	1980	1981[2]	1982
All persons	22.4	14.7	12.6	12.3	13.0	14.0	15.0
Persons 65 years old and over:							
Both sexes	35.2	28.5	24.5	15.3	15.7	15.3	14.6
Men	N.A.	23.7	19.0	11.4	10.9	10.5	10.4
Women	N.A.	32.1	28.4	18.1	19.0	18.6	17.5
Black women [1]	N.A.	57.3	53.2	40.2	42.6	43.5	42.4
Wives	57.7	51.9	41.8	23.8	23.5	28.9	N.A.
Unrelated individual	84.6	83.9	79.2	65.8	66.6	64.3	66.3
Black men [1]	N.A.	52.2	41.3	31.0	31.5	32.3	31.8
Family head	60.4	50.0	39.2	26.0	25.0	29.2	N.A.
Unrelated individual	77.5	72.7	59.7	51.8	45.4	45.8	50.2
White women [1]	N.A.	30.3	26.5	16.1	16.8	16.2	15.1
Wives	28.9	20.2	14.0	7.2	7.0	6.4	N.A.
Unrelated individual	61.8	55.2	47.5	29.1	29.3	28.2	25.4
White men [1]	N.A.	21.3	17.0	9.5	9.0	8.5	8.3
Family head	26.8	18.7	13.8	7.1	6.9	6.4	N.A.
Unrelated individual	56.8	41.3	36.0	23.8	21.1	19.7	16.9

[1] Total includes other types of family members not separately designated.

[2] The poverty definition used to produce the estimates for 1981 has changed slightly from previous years. If the new method were used for 1980, the heading "All persons" would read 13.2 percent below the poverty level, not 13.0 percent.

N.A.—Not available.

Sources: U.S. Bureau of the Census, Current Population Reports series P–60 referring to the population below the poverty level, various years in series.

Tables 6 through 8 present data for aged individuals living in families. In parallel fashion, tables 9–11 present information for individuals living alone (technically unrelated individuals). Table 6 presents the percentage of aged families (unrelated individuals) classified on the basis of total income to the poverty threshold with income from various sources. For example, from table 6 we learn that 15.4 percent of families with income under 50 percent of the poverty threshold had income from earnings. Poor (the second to last column in table 6) is defined in all of these tables as having income less than the poverty threshold. Nonpoor are all families (unrelated individuals) with incomes above the poverty threshold.

Table 7 presents the percent of total income which is comprised of various types of income where families (unrelated individuals) are again classified on the basis of total income to the poverty threshold. For example, from table 7 we learn that 10.3 percent of total family income for poor families is comprised of earnings as compared to 38.8 percent for nonpoor families. Pension income accounts for 3.5 percent of total income received by poor families while it comprises 11.6 percent for nonpoor families.

Table 8 presents the median amount of a given source of income for poor and nonpoor families (individuals living alone). For example, the median amount of social security and railroad retirement benefits received by poor families is $4,071 as compared to $7,295 for nonpoor families.

Elderly individuals living alone are more than three times as likely to be living in poverty (27.1) as compared to aged individuals living in families (9.0). The percentage of single elderly below 1.5 the poverty threshold is 55.1 percent. This compares to 20.8 for families with an elderly member and to approximately 22 percent for families without an elderly member.

Overall, about half of all families with an aged member had earnings (table 6). About 92 percent also received social security. Consequently, at least 40 percent of all families with an aged member received both retirement and earned income during the year. In some cases, these families may consist of an older retiree, typically a male, with a younger spouse who may still be working. In other cases, a single aged person may live with children or relatives who are actively involved in the labor force.

Nonpoor families with an aged member were more likely to have income from earnings than were poor families—52 percent compared to 24 percent, respectively. Among those families with earnings, half of the nonpoor families earned more than $12,860; half of the poor families with earnings earned less than $1,100.

Retirement income in the form of social security and pensions differed markedly between the poor and nonpoor. Receipt of social security was somewhat higher for nonpoor (93 percent) than for poor (85 percent) families with an aged member. However, the median amount of social security received by nonpoor aged families was nearly 80 percent higher than that of the poor, $7,300 compared to $4,070.

Pension income was considerably higher among nonpoor than poor aged. Approximately 44 percent of the nonpoor aged in families received pension income, compared to 8 percent of the poor. Among the nonpoor, the median amount of pension income received was $4,090, compared to $1,280 for the poor. Since retirement income is linked to prior work experience and earnings, it is likely that most nonpoor aged had higher earnings when they worked than those that are poor.

Income from savings and investments, in the form of interest and dividends, was a significant part of the nonpoor aged families' total income, accounting for 19 cents out of every dollar received.[1] About 78 percent of these families reported income in the form of interest and dividends, and one-half of these families received more than $2,030 over the course of the year.

In comparison to the nonpoor, poor families with an aged member relied mainly upon social security and cash public assistance, presumably SSI, for income support. About 31 percent of these poor families received cash public assistance. Among this group, an average of 68 cents out of every dollar came from social security, and 13 cents from cash public assistance. One-third of these families received food stamps, which on average, added an additional 9 cents to every dollar of income received.

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[1] Withdrawals from savings are not included as income on the CPS. For the aged in particular, dissaving may provide an important means of maintaining a desired level of consumption.

The pattern of income receipt among aged unrelated individuals was, with few exceptions, very similar to that of aged persons in families. Only about 16 percent of nonpoor aged and 4 percent of poor aged unrelated individuals reported income from earnings. Income from interest and dividends was even more important for the nonpoor, accounting for 31 percent of their total income, on average, compared to 4 percent for the poor.

Among poor aged unrelated individuals, the contribution of food stamps to total income was much smaller (about 3 cents for each dollar of cash income) than that of the aged poor living in families (about 9 cents out of each dollar of cash income).

TABLE 6.—PERCENT OF FAMILIES WITH ANY MEMBER AGE 65 OR OVER WITH INCOME FROM VARIOUS SOURCES, BY THE RATIO OF TOTAL INCOME TO THE POVERTY THRESHOLD,[1] 1982

	Ratio of total income to poverty threshold									
	Under 0.50	0.50 to 0.74	0.75 to 0.99	1.00 to 1.24	1.25 to 1.49	1.50 to 1.99	2.00 to 2.99	3.00 and over	Poor	Nonpoor
Number of families (in thousands)	(227)	(267)	(528)	(638)	(704)	(1,588)	(2,600)	(4,761)	(1,022)	(10,291)
Percent of families	2.0	2.4	4.7	5.6	6.2	14.0	23.0	42.1	9.0	91.0
Earnings	15.4	26.9	25.4	27.0	33.8	36.5	49.5	64.8	23.6	52.1
OASDI, railroad retirement	59.4	90.0	93.4	93.7	96.0	95.4	95.1	89.9	85.0	92.7
Pensions	5.2	11.1	7.6	11.4	19.5	32.9	47.7	54.5	8.0	44.4
Unemployment compensation, workers compensation, veterans payments	4.0	8.5	6.6	12.9	13.5	13.2	12.7	11.1	6.5	12.1
AFDC, SSI, general assistance	19.7	35.1	33.0	18.2	15.6	9.6	4.2	2.3	30.6	5.8
Child support, alimony	3.5	7.4	2.5	4.1	3.0	4.1	4.2	5.0	4.0	4.5
Interest, dividends	33.4	29.7	29.0	40.8	48.3	62.9	80.1	92.4	30.2	78.5
Food stamps	24.2	39.7	34.0	15.7	6.5	3.5	1.7	.4	33.3	2.6

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[1] Based on census ("Orshansky") poverty levels.

Source: March 1983 Current Population Survey (CPS). Table prepared by CRS.

TABLE 7.—PERCENT OF TOTAL FAMILY INCOME FROM VARIOUS SOURCES, BY THE RATIO OF TOTAL INCOME TO THE POVERTY THRESHOLD,[1] FOR FAMILIES WITH ANY MEMBER AGE 65 OR OVER

	Ratio of total income to poverty threshold								Poor	Nonpoor
	Under 0.50	0.50 to 0.74	0.75 to 0.99	1.00 to 1.24	1.25 to 1.49	1.50 to 1.99	2.00 to 2.99	3.00 and over		
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Earnings	8.2	8.2	11.5	14.6	17.9	22.0	31.5	43.8	10.3	38.8
OASDI, railroad retirement	61.4	65.4	69.3	65.3	65.3	59.0	43.0	18.9	67.5	28.3
Pensions	4.0	4.0	3.2	3.3	4.4	6.9	11.3	12.7	3.5	11.6
Unemployment compensation, workers compensation, veterans payments	1.4	4.2	2.3	4.2	2.7	2.3	1.8	.8	2.7	1.2
AFDC, SSI, general assistance	20.6	13.9	11.2	7.4	4.5	2.2	.6	.2	12.8	.6
Child support, alimony	2.6	1.6	.5	1.1	.6	.6	.5	.4	1.0	.4
Interest, dividends	1.9	2.7	2.1	4.0	4.6	7.0	11.3	23.3	2.2	19.1
Food stamps [2]	(23.6)	(13.5)	(4.7)	(1.7)	(.8)	(.3)	(.1)	(.0)	(8.9)	(.1)

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[1] Based on census ("Orshansky") poverty levels.

[2] The cash value of food stamps was not included as part of total income, either for purposes of determining poverty status, or in the base for calculating the percentage share of total income. The numbers in this row for food stamps represent the added percentage contribution to total cash income.

Source: March 1983 Current Population Survey (CPS). Table prepared by CRS.

TABLE 8.—MEDIAN INCOME FROM VARIOUS SOURCES, BY POVERTY STATUS,[1] 1982, FOR FAMILIES WITH ANY MEMBER AGE 65 OR OVER

	Median income for those with income from a given source	
	Poor	Nonpoor
All sources	$5,028	$18,671
Earnings	1,096	12,861
OASDI, railroad retirement	4,071	7,295
Pensions	1,280	4,091
Unemployment compensation, workers compensation, veterans payments	1,592	1,380
AFDC, SSI, general assistance	1,512	2,282
Child support, alimony	901	1,200
Interest, dividends	201	2,032
Food stamps	717	600

[1] Based on census ("Orshansky") poverty levels.

Source: March 1983 Current Population Survey (CPS). Table prepared by CRS.

TABLE 9.—PERCENT OF UNRELATED INDIVIDUALS AGE 65 AND OVER WITH INCOME FROM VARIOUS SOURCES, BY THE RATIO OF TOTAL INCOME TO THE POVERTY THRESHOLD,[1] 1982

	Ratio of total income to poverty threshold								Poor	Nonpoor
	Under 0.50	0.50 to 0.74	0.75 to 0.99	1.00 to 1.24	1.25 to 1.49	1.50 to 1.99	2.00 to 2.99	3.00 and over		
Number of unrelated individuals (in thousands)	(312)	(562)	(1,401)	(1,369)	(980)	(1,127)	(1,274)	(1,382)	(2,275)	(6,131)
Percent of unrelated individuals	3.7	6.7	16.7	16.3	11.7	13.4	15.2	16.4	27.1	72.9
Earnings	5.0	2.8	4.6	4.9	8.9	13.7	20.8	29.5	4.2	16.0
OASDI, railroad retirement	44.6	83.6	96.3	95.4	98.0	97.0	93.7	87.7	86.0	94.0
Pensions	3.5	4.8	4.7	12.2	25.7	37.1	49.1	51.2	4.6	35.4
Unemployment compensation, workers compensation, veterans payments	2.2	6.9	4.4	9.7	6.7	5.1	5.0	3.2	4.7	5.9
AFDC, SSI, general assistance	7.6	35.3	32.0	11.7	3.8	1.2	1.1	.4	29.5	3.8
Child support, alimony	3.1	2.6	2.2	1.5	3.5	2.4	2.3	3.5	2.4	2.6
interest, dividends	32.2	25.3	35.4	55.8	68.8	79.7	89.0	96.4	32.4	78.3
Food stamps	9.6	31.2	27.4	4.7	1.5	.5	.2	.5	25.9	1.5

[1] Based on census ("Orshansky") poverty levels.

Source: March 1983 Current Population Survey (CPS). Table prepared by CRS.

TABLE 10.—PERCENT OF TOTAL FAMILY INCOME FROM VARIOUS SOURCES, BY THE RATIO OF TOTAL INCOME TO THE POVERTY THRESHOLD,[1] FOR UNRELATED INDIVIDUALS AGE 65 OR OVER

	Ratio of total income to poverty threshold									
	Under 0.50	0.50 to 0.74	0.75 to 0.99	1.00 to 1.24	1.25 to 1.49	1.50 to 1.99	2.00 to 2.99	3.00 and over	Poor	Nonpoor
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Earnings	2.7	1.1	1.1	1.7	3.2	4.9	9.5	16.8	1.2	11.1
OASDI, railroad retirement	70.3	71.5	82.4	82.0	77.1	62.9	45.4	19.9	79.5	41.7
Pensions	4.1	1.7	1.1	2.8	6.2	10.1	16.9	16.6	1.3	13.6
Unemployment compensation, workers compensation, veterans payments	1.9	1.9	1.4	2.2	1.8	1.9	1.5	.5	1.5	1.2
AFDC, SSI, general assistance	5.8	19.7	10.1	5.3	.9	.5	.3	.0	12.1	.7
Child support, alimony	3.2	1.4	.5	.1	.8	.5	.6	.4	.8	.5
Interest, dividends	12.0	2.8	3.4	5.8	10.0	19.2	25.9	45.7	3.6	31.2
Food stamps [2]	(5.3)	(4.0)	(2.0)	(.2)	(.0)	(.0)	(.0)	(.0)	(2.6)	(.0)

[1] Based on census ("Orshansky") poverty levels.

[2] The cash value of food stamps is not included as part of total income, either for purposes of determining poverty status, or in the base for calculating the percentage share of total income. The numbers in this row for food stamps represent the added percentage contribution to total cash income.

Source: March 1983 Current Population Survey (CPS). Table prepared by CRS.

TABLE 11.—MEDIAN INCOME FROM VARIOUS SOURCES, BY POVERTY STATUS,[1] 1982, FOR UNRELATED INDIVIDUALS AGE 65 OR OVER

	Median income for those with income from a given source	
	Poor	Nonpoor
All sources	$3,636	$8,215
Earnings	794	4,800
OASDI, railroad retirement	3,223	5,076
Pensions	870	2,855
Unemployment compensation, workers compensation, veterans payments	930	1,462
AFDC, SSI, general assistance	1,166	1,769
Child support, alimony	1,000	1,200
Interest, dividends	160	1,997
Food stamps	229	120

[1] Based on census ("Orshansky") poverty levels.

Source: March 1983 Current Population Survey (CRS). Table prepared by CRS

Tables 12 through 14 are data from the Survey of Income and Program Participation. Table 12 shows the distribution of total family income which is comprised of social security income. The tables include all families where all members of the family are aged 65 and over including one-member families as well. For example, for elderly families in poverty, social security represents over 90 percent of their income in 44.4 percent of such families. For elderly families above twice poverty, less than 1 percent of such families have 90 percent or more of their income from social security.

Table 13 presents similar information except that it shows the percent of family income derived from supplemental security income (SSI) and social security benefits combined.

Table 14 presents the number of families with different combinations of SSI, social security, and food stamp income. For families in poverty, 87.5 percent receive social security income, 29.9 percent receive SSI income, and 27.8 percent receive food stamp benefits. Only 12.6 percent of elderly families under poverty receive all three types of income.

TABLE 12.—PERCENTAGE DISTRIBUTION—SOCIAL SECURITY INCOME AS A COMPONENT OF TOTAL FAMILY INCOME, BY TOTAL FAMILY MONEY INCOME AS A PERCENT OF THE POVERTY LEVEL FOR FAMILIES COMPRISED ONLY OF AGED INDIVIDUALS

[In percent]

	Total family money income as a percent of the poverty level					
	Less than 100 percent of poverty	100 to 124.9 percent of poverty	125 to 149.9 percent of poverty	150 to 199.9 percent of poverty	Over 200 percent of poverty	Total
Percent of total family income comprised of social security:						
1 to 24.9	0.0	1.0	0.0	0.0	23.6	9.8
25 to 49.9	4.5	11.2	14.5	14.6	42.7	23.6
50 to 79.9	30.4	30.9	54.5	61.5	26.6	35.6
80 to 89.95	8.2	12.6	14.8	10.7	0.2	6.4
90 or more	[1] 44.4	40.9	14.7	9.9	0.8	18.3
Percent of families with social security income	87.5	96.7	98.5	96.7	94.0	93.7
Percent of families without social security income	12.5	3.3	1.5	3.3	6.0	6.3
Total	100.0	100.0	100.0	100.0	100.0	100.0

[1] The number 44.4 in the first column means that 44.4 percent of families with all individuals in the family over age 65 with total incomes less than poverty depend upon social security benefits for 90 percent or more of their income.

Source: Preliminary data from Survey of Income and Program Participation, Spring 1979 data.

TABLE 13.—PERCENTAGE DISTRIBUTION—SOCIAL SECURITY AND SUPPLEMENTAL SECURITY INCOME AS A COMPONENT, BY TOTAL FAMILY MONEY INCOME AS A PERCENT OF THE POVERTY LEVEL FOR FAMILIES COMPRISED ONLY OF AGED INDIVIDUALS

[In percent]

	Total family money income as a percent of the poverty level			
	Less than 100 percent of poverty	100 to 124.9 percent of poverty	125 to 149.9 percent of poverty	Total
Percent of total family income comprised by social security and SSI:				
1 to 24.9	1.1	0.2	0.1	8.0
25 to 49.9	1.5	8.3	14.7	22.4
50 to 79.9	18.4	29.7	51.3	32.5
80 to 89.9	6.8	10.3	14.4	5.6
90 or more	[1] 69.0	49.9	18.4	25.4

TABLE 13.—PERCENTAGE DISTRIBUTION—SOCIAL SECURITY AND SUPPLEMENTAL SECURITY INCOME AS A COMPONENT, BY TOTAL FAMILY MONEY INCOME AS A PERCENT OF THE POVERTY LEVEL FOR FAMILIES COMPRISED ONLY OF AGED INDIVIDUALS—Continued

[In percent]

	Total family money income as a percent of the poverty level			
	Less than 100 percent of poverty	100 to 124.9 percent of poverty	125 to 149.9 percent of poverty	Total
Percent of families with social security and/or SSI income	96.8	98.4	98.9	93.9
Percent of families without social security or SSI income	3.2	1.6	1.1	6.1
Total	100.0	100.0	100.0	100.0

[1] The number 69.0 in the first column means that 69 percent of families with all individuals in the family over age 65 with total incomes less than poverty depend upon social security and/or SSI benefits for 90 percent or more of their income.

Source: Preliminary data from Survey of Income and Program Participation, Spring 1979 data.

TABLE 14.—RECEIPT OF SOCIAL SECURITY, SUPPLEMENTAL SECURITY INCOME, FOOD STAMPS, AND COMBINATIONS THEREOF, AMONG FAMILIES COMPRISED ONLY OF ELDERLY INDIVIDUALS CLASSIFIED BY FAMILY MONEY INCOME AS A PERCENT OF THE POVERTY THRESHOLD

Type of benefit	Less than 100 percent		100 to 149.9 percent	
	Number (in thousands)	Percent	Number (in thousands)	Percent
Social security	2,400	87.5	2,618	97.3
SSI	820	29.9	1,068	39.7
Food stamps	762	27.8	143	5.3
Social security only[1]	1,574	57.4	2,242	83.3
SSI only[1]	86	3.1	38	1.4
Food stamps only[1]	20	0.7	0	0.0
Social security and food stamps	606	22.1	143	5.0
Social security and SSI	594	21.7	271	10.1
SSI and food stamps	481	17.5	64	2.4
All three income sources	346	12.6	64	2.4
No social security, SSI, or food stamps	105	3.8	38	1.4
Total	2,742	....	2,691	....

[1] Row 4 which is labeled "social security only" means the family only receives social security and does not receive SSI or food stamps. The family could be receiving other types of income. The same is true of row 5 and 6.

Source: Preliminary data from Survey of Income and Program Participation, Spring 1979 data.

Table 15 explores the effectiveness of various income sources in addressing poverty. Families differ markedly by the combinations of income upon which they rely for support. For example, families with an aged member and aged unrelated individuals typically rely upon a combination of income from social security, pensions, returns on investments and saving, as well as earnings. In combination, these sources offer the potential for income support above the poverty threshold. However, as the sole source of income support, none of these sources may be deemed adequate.

One way of assessing the anti-poverty effectiveness of various income sources is to estimate the number of persons who would be counted as poor if a particular source of income were not received. The additional number of persons that are counted as poor provides an estimate of the number of people lifted out of poverty by a particular income source. For example, the effect of social security upon poverty can be seen by comparing the number who would be counted as poor if they did not receive social security, with the number of poor after social security income is counted (column 3 compared to column 1 of table 15).

Another way of assessing the effectiveness of various income sources upon poverty is by estimating the degree to which those sources reduce the gap between a poor family's income and the poverty threshold (bottom 3 rows of table 15). This concept is sometimes known as the "poverty gap" of the "poverty income deficit." A cash transfer program which is highly targeted on the poor may do little to eliminate poverty—that is, to reduce the number who are counted as poor—but such a program may still have a very real impact by reducing the degree of poverty as viewed in terms of the poverty gap.

Table 15 shows the relative antipoverty effect of various income sources in 1982 upon the aged. For example, the first column shows the number of elderly persons who were poor, and the poverty rate, in 1982. The second column shows how many persons would be poor if they had only earnings and miscellaneous sources of income (interest, dividends, alimony and child support) upon which to depend. Similarly, the third column shows how many persons would be counted as poor if they had all sources of income currently available to them, except for social security and railroad retirement. The relative effect of each source can be seen by comparing the number in poverty under the alternate income definitions with the first column. For purposes of illustration, the cash value of food stamps is also included, even though food stamps are not included as income under the existing official definition of poverty. The last three rows of table 15 show the aggregate poverty gap (in millions of dollars) and average poverty gap[2] per person. The aggregate poverty gap is the amount of dollars that would be required to give all persons in poverty an income equal to the poverty line.

Private and government pensions may be viewed as either deferred compensation, provided by employers, or as savings for retirement. Pension benefits are closely related to the labor market, usually being directly or indirectly related to years of service and wage and salary levels attained when individuals were working. Private and government pensions played an important role in reducing poverty among the aged. In 1982, about one-fifth of total pension benefits went to persons who were poor before they received them. These benefits reduced the incidence of poverty among the aged by about 18 percent, and reduced the aggregate poverty gap by about one-quarter.

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[2] The average poverty gap per person is the total family poverty gap divided by the number of family members.

Social insurance programs provide a second tier of income support, helping to protect covered individuals from loss of work related income resulting from a number of specific risks, such as old age, unemployment, and work related disabilities. Social insurance programs are second only to earnings in terms of their effect upon poverty. Among these programs, social security is the largest. In fiscal year 1982, social security outlays amounted to $154 billion. While only about 50 percent of social security payments[3] went to persons who were poor before they received them (the pretransfer poor), social security had the greatest impact upon reducing poverty other than earnings. Social security reduced the aggregate povery gap by nearly 90 percent for persons age 65 and over. Social security income lifted approximately 9.3 million older persons out of poverty. Social security reduced the poverty rate among the aged from 50.7 percent to 14.6 percent—a reduction of 71.2 percent.

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[3] Includes railroad retirement.

TABLE 15.—NUMBER OF PERSONS AGE 65 AND OVER IN POVERTY AND THE POVERTY GAP UNDER VARIOUS INCOME CONCEPTS, 1982

	Total income official poverty measure	Only earnings, dividends, interest, and misc. income	Total income less—				Total income plus—food stamps
			Social security, railroad retirement	Pensions	Unemployment compensation, workers compensation, veterans pension	AFDC, SSI, general assistance	
Poor persons age 65 and over (in thousands)	3,751	16,043	13,053	4,594	4,122	4,194	3,643
Poverty rate	14.6	62.3	50.7	17.8	16.0	16.3	14.2
Percentage change			−71.3	−18.3	−9.0	−10.6	−2.9
Poverty gap:							
Persons age 65 and over (in millions)	$4,240	$45,541	$33,168	$5,639	$4,973	$6,256	$4,230
Per elderly poor person [1]	$1,130	$2,839	$2,541	$1,227	$1,206	$1,492	$1,161
Percentage change			−87.2	−24.8	−14.7	−32.2	−.2

[1] The average poverty gap per poor person is the total family poverty gap divided by the number of family members.

Table 16 represents, for families varying by age of head, aggregate family income divided by the number of persons in such families. For example, the table shows that per capita income of families with an aged head was $7,238 in 1980, slightly less than that of all families ($7,753). From 1970 to 1975 real growth in per capita income of families with an aged head was substantially greater than that of all families (11.2 percent versus 7.9 percent). However, from 1975 to 1980 per capita income of aged families rose at a slower rate than that of all families (3.7 percent versus 5.9 percent). Unrelated individuals are considered as families.

Table 17 shows the average income per household member before and after taxes for calendar year 1980. Taxes simulated in the study included Federal income taxes, State individual income taxes, property taxes on owner-occupied housing, and payroll taxes. They do not include sales or excise taxes.

As shown in the table, after-tax income of elderly individuals is exceeded only by households headed by individuals aged 50–64. The amount of taxes paid as a percent of income varied from 13.0 percent of income for household members in households headed by someone age 65 or older to 25.6 percent of income in households where the head was age 50 to 54. In using income per household member across different family types, it should be noted that most households headed by someone aged 65 or over are one- or two-member households and thus housing consumes a greater proportion of household income.

TABLE 16.—PER CAPITA FAMILY INCOME,[1] BY AGE OF FAMILY HEAD, FOR SELECTED YEARS

[In 1980 dollars]

Age of family head	1970	1975 (percent change: 1970 to 1975)	1980 (percent change: 1975 to 1980)	Percent change: 1970 to 1980
All families	$6,784	$7,320 (7.9)	$7,753 (5.9)	14.3
25 to 34	$6,001	$6,841 (14.0)	$7,172 (4.8)	19.5
35 to 44	$5,827	$6,416 (10.1)	$7,172 (11.8)	23.1
45 to 54	$7,803	$8,180 (4.8)	$8,584 (4.9)	10.0
55 to 64	$9,170	$9,463 (3.2)	$9,984 (5.5)	8.9
65 and over	$6,273	$6,977 (11.2)	$7,238 (3.7)	15.4

[1] Total family income divided by number of family members. Unrelated individuals are considered as families.

Source: Figures compiled by CRS from U.S. Census Bureau Reports (Series P-60).

TABLE 17.—MEAN INCOME BEFORE AND AFTER TAX PER HOUSEHOLD MEMBER, 1980

	Income per household member		Taxes per household member	Taxes as a percent of income
	Before taxes	After taxes		
Age of householder:				
15–24	6,327	5,152	1,175	18.6
25–29	7,215	5,631	1,584	22.0
30–34	6,971	5,329	1,642	23.6
35–39	6,991	5,248	1,743	24.9
40–44	7,297	5,465	1,832	25.1
45–49	8,156	6,082	2,074	25.4
50–54	8,936	6,648	2,288	25.6
55–59	10,217	7,572	2,645	25.9
60–64	9,642	7,426	2,216	23.0
65 and over	7,243	6,299	944	13.0
All households	7,720	5,964	1,756	22.7

Source: Estimating After-Tax Money Income Distributions Using Data From the March Current Population Survey, P-23, No. 126, table 3.

TABLE 18.—ASSET INCOME AND HOME OWNERSHIP BY AGE, SEX, AND MARITAL STATUS, 1975[1]

	Total	Age	
		65–72	73 and over
Couples:			
Population (in thousands)	6,826	4,118	2,708
Average personal income, dollars	10,652	11,504	9,359
Percent with asset income	73.1	72.8	73.7
Mean asset income, dollars	2,780	2,684	2,924
Percent own home	82.4	83.7	80.4
Percent of owners with mortgage	12.8	18.8	10.4
Nonmarried men:			
Population (in thousands)	2,020	971	1,049
Average personal income, dollars	5,604	5,622	5,588
Percent with asset income	52.6	47.6	57.1
Mean asset income, dollars	1,916	1,620	2,145
Percent living alone	60.9	54.7	66.5
Percent own home	55.8	52.8	58.0
Percent of owners with mortgage	9.1	13.4	6.1
Nonmarried women:			
Population (in thousands)	7,962	3,314	4,648
Average personal income, dollars	4,237	4,825	3,821
Percent with asset income	55.9	57.7	54.6
Mean asset income, dollars	1,673	1,657	1,684
Percent living alone	62.3	65.3	60.2
Percent own home	58.6	59.6	57.8
Percent of owners with mortgage	9.1	12.9	6.0

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[1] Asset income includes income derivable from (1) interest on savings accounts or bonds; (2) dividends from stockholdings and membership in associations; (3) periodic receipts from estates or trust funds; (4) net income from rental of property; (5) receipts from boarders or lodgers; and (6) net royalties.

Source: Survey of Income and Education. (O'Neill study.)

Table 19 shows housing tenure for poor and nonpoor aged families and unrelated individuals. The table shows that the majority of poor families with an aged member (72 percent) and aged poor unrelated individuals (54 percent) owned their own home or lived with relatives in an owner occupied unit. In comparison, 86 percent of aged nonpoor families and 65 percent of aged nonpoor unrelated individuals owned their own home. About one in seven (14 percent) poor aged unrelated individuals reported living in publicly supported housing (either public housing or rent subsidized housing). About 7.6 percent of aged nonpoor unrelated individuals lived in publicly supported housing.

TABLE 19.—HOUSING TENURE OF AGED, FAMILIES, AND UNRELATED INDIVIDUALS BY FAMILY TYPE AND POVERTY STATUS, 1982

	Total	Percent of total				
		Own housing	No cash rent	Rent housing		
				Total	Publicly supported	Not publicly supported
Any member age 65 or over:						
In families:						
Total	11,313	85.0	1.4	13.6	1.8	11.8
Poor	1,022	71.5	3.1	25.3	6.4	18.9
Nonpoor	10,291	86.3	1.2	12.5	1.4	11.1
Unrelated individuals:						
Total	8,406	61.7	4.1	34.2	9.3	24.8
Poor	2,275	53.6	7.2	39.3	14.1	25.2
Nonpoor	6,131	64.7	3.0	32.3	7.6	24.7

Source: March 1983 Current Population Survey (CPS). Table prepared by CRS.

Section 3. Disability Insurance Program

The disability insurance (DI) program provides monthly cash benefits for workers under age 65 and their dependents. Benefits for the disabled were provided to disabled workers age 50 or older by the 1956 Social Security Amendments; benefits for the dependents of disabled workers were provided by the 1958 Social Security Amendments. Benefits to disabled workers under age 50 were provided by the 1960 amendments.

GENERAL

Many provisions of the disability insurance (DI) program are identical to those of the old age and survivors insurance (OASI) program. For example, all workers who are covered by OASI are also covered by DI. Contributions are made under the same provision of the Internal Revenue Code and are made on the same wage base.

A portion of the OASDI taxes is allocated to the Disability Insurance Trust Fund which is the source of payment for monthly benefits to the disabled worker and their dependents and for administrative expenses of the program.

The most significant differences between the two programs are in the provisions for insured status and in the administration of the program. The DI program involves both Federal and State government. These differences are primarily a result of the different nature of the event insured. The OASI program insures a worker, his dependents and survivors against loss of income due to the worker's retirement or death. The DI program insures against the loss of income due to the worker's physical or mental disability.

BENEFITS

Summary

Monthly cash benefits are paid and computed generally on the same basis as in the OASI program. Benefit amounts are related to the past earnings of the insured worker.

In December 1983 there were 3.8 million DI beneficiaries in current-payment status. The total monthly benefits paid out were \$1.29 billion. The following table summarizes various types of beneficiaries of the DI program and average benefit amounts.

TABLE 1.—DISABILITY CASH BENEFITS: NUMBER IN CURRENT PAYMENT STATUS AND AVERAGE BENEFIT AMOUNT IN DECEMBER, AND NUMBER OF BENEFITS AWARDED AND AVERAGE BENEFIT AMOUNT DURING THE YEAR, CALENDAR YEARS 1970, 1975, 1980, 1982 AND 1983

Period, payment status, and number/average	Disabled workers and their dependents		
	Disabled workers	Spouses	Children
1970:			
Current:			
Number (in thousands)	1,493	451	889
Average payment	$131	$43	$39
New awards:			
Number (in thousands)	350	96	317
Average payment	$140	$40	$37
1975:			
Current:			
Number (in thousands)	2,489	453	1,411
Average payment	$226	$67	$62
New awards:			
Number (in thousands)	592	149	515
Average payment	$234	$68	$63
1980:			
Current:			
Number (in thousands)	2,859	462	1,358
Average payment	$371	$110	$110
New awards:			
Number (in thousands)	397	108	385
Average payment	$406	$114	$117
1982:			
Current:			
Number (in thousands)	2,604	366	1,004
Average payment	$441	$129	$128
New awards:			
Number (in thousands)	299	78	265
Average payment	$444	$120	$126
1983:			
Current:			
Number (in thousands)	2,569	308	936
Average payment	$56	$129	$136
New awards:			
Number (in thousands)	311	80	229
Average payment	$433	$120	$123

Description of major benefit types

Disabled-worker (disability insurance) benefit.—A monthly benefit payable to a disabled worker under age 65 insured for disability.

Spouses' benefit.—Monthly benefit payable to a spouse or divorced spouse of a disabled worker under one of the following conditions: (1) wife or husband is aged 62 or older or has 1 or more entitled children of the worker under age 16 in his or her care; or (2) divorced wife (husband) is aged 62 or older and her (his) marriage to worker has lasted 10 years (20 years for benefits paid or applications filed before January 1979) before divorce became final.

Child's benefit.—A monthly benefit payable to an unmarried child or eligible grandchild of a disabled worker.

Disabled child's benefit.—A monthly benefit payable to a disabled person aged 18 or over—a dependent son or daughter or eligible grandson or granddaughter of a retired, deceased, or disabled worker—whose disability began before age 22.

Definition of disability

Generally, disability is defined as an inability to engage in any substantial gainful activity by reason of a physical or mental impairment. The impairment must be medically determinable and expected to last for not less than 12 months or to result in death. A person (other than a disabled widow or widower) may be determined to be disabled only if due to this impairment he is unable to engage in any kind of substantial gainful work, considering his age, education, and work experience, which exists in the national economy even though such work does not exist in the immediate area in which he lives, or whether a specific job vacancy exists for him, or whether he would be hired if he applied for work.

There are special definition and eligibility requirements for persons who are blind.

A widow (or widower) can be determined to be disabled only if a physical or mental impairment exists of such a level of severity that makes it impossible to perform any gainful work (rather than substantial gainful work).

Waiting period

An initial 5-month waiting period is required before disability insurance benefits will be paid. Benefits are payable for the 6th month. However, benefits may be paid for the 1st full month of disability to a worker who becomes disabled within 60 months (for a disabled widow or widower the period is 84 months) after termination of disability insurance benefits after an earlier period of disability.

Insured status

Workers are *insured for disability* if they are fully insured and, except for persons who are blind or disabled before age 31, have a total of at least 20 quarters of coverage during the 40-quarter period ending with the quarter in which the worker became disabled. Workers who are disabled before age 31 must have total quarters of coverage equal to half the calendar quarters which have elapsed since the worker reached age 21, ending in the quarter in which the worker became disabled. However, a minimum of 6 quarters is required.

BENEFIT COMPUTATION

Disability benefits are computed in the same manner as old age and survivors benefits (the worker is presumed to be age 62 in the month he becomes disabled) except that the number of years of earnings which is excluded when determining the benefit amount is less than 5 for workers under age 47. The number of drop-out years allowed increases with the age of the insured worker at disablement. The amount of the monthly benefit is based on the insured worker's primary insurance amount (PIA). The presumption of age 62 does not result in an actuarial reduction.

The following table lists major disability benefits with the percentage of the insured worker's PIA.

TYPE OF MONTHLY BENEFIT

	Percent of PIA
Disabled worker (any age)	100
Dependents of disabled worker: [1] Wife or husband (age 62), mother, father, children and grandchildren	50
Survivors: [1] Disabled (age 50–59), widows or widowers	71.5

[1] Subject to maximum family benefit limitation.

Substantial gainful activity

The Secretary of HHS[1] has specific regulatory authority to prescribe the criteria for determining when earnings derived from employment demonstrate an individual's ability to engage in substantial gainful activity (SGA).

The Secretary has published regulations specifying the monetary amounts which indicate substantial gainful activity. At the present time the SGA earnings level is $300 a month (net of impairment-related work expenses).

Trial work period

A 24-month "trial work period" is provided for disabled beneficiaries who attempt to work, during which their benefits will not be terminated because of work. During the second 12 months of this period, benefits are suspended for any month during which the individual is engaged in substantial gainful activity (SGA), but his entitlement to benefits is not terminated. Medicare benefits may be continued for 24 months after the expiration of the trial work period.

If an individual medically recovers to the extent that he no longer meets the definition of disability, benefits are terminated regardless of the "trial work" provision. Only one trial work period is permitted for each period of disability. Beneficiaries who qualified for benefits without a waiting period are not entitled to a trial work period. The Secretary of HHS has provided by regulation that earnings of $75 a month will constitute a month of "trial work."

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[1] Throughout the remainder of this section when Secretary is used, it is the Secretary of Health and Human Services.

Maximum family benefit

The maximum monthly amount of family benefits which is payable on a disabled worker's earnings record for workers who first become entitled after June 1980, is the smaller of 85 percent of the worker's average indexed monthly earnings or 150 percent of the worker's primary insurance amount. However, in no case can the benefit be reduced below 100 percent of the worker's primary insurance amount.

Offset for other public disability benefits

When a disabled worker under age 65 qualifies on the basis of total or partial disability (whether or not permanent) for benefits which are provided by Federal, State and local governments and worker's compensation, the social security benefits payable to him and his family are reduced by the amount, if any, that the total monthly benefits payable under the two or more programs exceed 80 percent of his average current earnings before he became disabled. Needs-tested benefits, Veterans' Administration disability benefits, and benefits based on public employment covered by social security are not subject to the provision. A worker's average current earnings for this purpose are the larger of (a) the average monthly earnings used for computing his social security benefits, or (b) his average monthly earnings in employment or self-employment covered by social security during the 5 consecutive years of highest covered earnings after 1950, or (c) the average monthly earnings during the calendar year of highest earnings during a period consisting of the year in which disability began and the preceding 5 years without regard to the limitations which specify a maximum amount of earnings creditable for social security benefits. The combined payments after the reduction are never less than the total amount of the DI benefits payable before the reduction. In addition, the social security benefit is increased by the full amount of the cost-of-living increase as applied to the unreduced benefit. Every 3 years the original amount of benefits subject to reduction is redetermined to reflect changes in average wage levels. If increases in the average national wages would result in a higher benefit than that payable based on the original computation, the benefit is increased effective January of the redetermination year.

The offset begins in the month during which concurrent entitlement begins under a Federal or State law.

The offset of the social security disability benefit will not be made if the State worker's compensation law provides for an offset against social security disability benefits. However, this waiver of the offset would only apply where the State program began offsetting on or before February 18, 1981.

DETERMINATION OF DISABILITY

State agency determinations of disability

Disability determinations are made by State agencies who agree to make such determinations and substantially comply with the regulations of the Secretary. The Secretary is required to issue regulations specifying, in such detail as he deems appropriate, performance standards and administrative requirements and procedures to be followed in performing the disability determination function "in order to assure effective and uniform administration of the disability insurance program through the United States." Certain operational areas are cited as "examples" of what the regulations may specify. These include such items as the nature of the administrative structure, the physical location of and relationship among agency staff units, performance criteria and fiscal control procedures.

The law also provides that if the Secretary finds that a State agency is substantially failing to make disability determinations consistent with his regulations, the Secretary shall, not earlier than 180 days following his findings, terminate State administration and make the determinations himself. The law also allows for termination by the State. The State would be required to continue to make disability determinations for not less than 180 days after notifying the Secretary of its intent to terminate. Thereafter, the Secretary would be required to make the determinations.

Determining disability: Application of law and regulations

The adjudication of claims is accomplished on a sequential basis. Whether the individual is currently employed and the amount of earnings are the first factors considered. If the individual is earning the amount that determines ability to engage in "substantial gainful activity" (SGA, now $300 a month) he is determined not disabled. If he is making less than this amount or not working at all, the severity and duration of the impairment are explored. If the severity is determined to be "not severe" the individual is denied right at that point. However, if the impairment is "severe," a determination is made whether the impairment "meets" or "equals" the level of severity spelled out in the regulations[2] and whether it will last for 12 months. If it neither "meets" nor "equals" the specified standard (which will result in an allowance) but meets the 12-month duration rule, a determination is then made whether the claimant is able to carry out his former occupation. If he can he is denied benefits, but if he cannot, the non-medical factors come into play.

At this stage, because of a judicial opinion and subsequent administrative and legislative ratification, the burden of proof switches to the Government to show that the individual can, considering his impairment, age, education, and work experience, engage in some other kind of substantial gainful activity which exists in a national economy. Such work, however, does not have to exist in the immediate area in which he lives and a specific job vacancy does not have to be available to him. Work in the national economy is defined in the law as work which exists in significant numbers either in the region where such individual lives or in several regions of the country.

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[2] The Listing of Impairments contains over 100 examples of medical conditions that would ordinarily prevent an individual from engaging in any gainful activity. Each listing describes a degree of severity such that an individual who is not working and has such an impairment is considered unable to work by reason of the medical impairment. The listing describes specific medically acceptable clinical and laboratory findings and signs which establish the severity of the impairments. An impairment or combination of impairments is said to "equal the listings" if the medical findings for the impairment are at least equivalent in severity and duration to the listed findings of a listed impairment.

In the face of a growing number of nonmedical allowances and a declining number of cases where the medical listings were met, the Social Security Administration in 1976 developed a vocational "grid" designed to reduce the subjectivity and lack of uniformity in applying the vocational factor. The grid regulations were designed to formularize certain worker characteristics such as age, education, and past work experience, in relation to the individual's residual functional capacity (RFC) to perform work-related physical and mental activities. If the claimant has a particular level of residual work capability—characterized by the terms Sedentary, Light, Medium, Heavy and Very Heavy—an automatic finding of "disabled" or "not disabled" is required when applied to various combinations of age, education, and work experience.

The regulations were finally promulgated in February 1979 after some lengthy administrative hearings and consideration. In terms of program experience during the period 1975–1983, there has been a decline at the State agency level in the number of non-medical allowances and a dramatic increase in the percentage of allowed cases which "met" the medical listings. Those percentages are presented in table 2. Moreover, there was an equally dramatic increase in the number of denials on the basis of "impairment not severe" which under the sequential method of determining disability would exclude the consideration of the non-medical factors. Table 3 gives a percentage distribution of the basis for denials at the initial determination of disability at the State agency level for fiscal years 1975 to 1983.

TABLE 2.—BASIS FOR TITLE II ALLOWANCES—NATIONAL FIGURES: INITIAL WORKER DETERMINATION, FISCAL YEARS 1975–83

[In percent]

Fiscal year	Meets listing	Equals listing	Medical and vocational considerations
1975	29.4	43.9	26.7
1976	29.0	45.1	25.9
1977	34.2	41.9	23.9
1978	45.6	31.9	22.5
1979	55.1	22.7	22.1
1980	57.9	16.2	25.9
1981	63.9	12.3	23.8
1982	72.7	8.6	18.7
1983	74.0	8.3	17.7

Source: Office of Research, Statistics, and International Policy, Social Security Administration.

TABLE 3.—BASIS FOR TITLE II DISALLOWANCES AND DENIALS: INITIAL WORK DETERMINATION, FISCAL YEARS 1975–83

[In percent: fiscal years]

	Duration	Slight impairment	Able to perform usual work	Able to perform other work	Engaging in SGA	Failure to cooperate	Failure to appear	Other
1975	19.6	8.4	44.3	18.2	1.0	5.1	1.8	1.6
1976	19.9	10.8	41.9	20.1	.4	4.8	1.8	.3
1977	21.2	24.8	30.0	15.7	.5	4.9	1.8	1.1
1978	21.1	31.8	25.0	14.6	.5	4.1	1.9	1.0
1979	20.0	41.6	21.5	12.5	.4	.9	2.3	.8
1980	20.6	39.0	23.7	12.7	....	1.9	1.3	.7
1981	17.5	43.2	18.7	11.3	2.0	....	2.6	4.8
1982	16.4	38.9	22.6	14.1	1.1	....	2.8	3.6
1983	16.9	39.4	22.0	14.3	1.0	....	3.0	3.4

Source: Office of Research, Statistics, and International Policy, Social Security Administration.

A widow or widower may qualify for benefits on the deceased spouse's work record at age 50 and over if he or she has "physical or mental impairments" at "a level of severity which under regulations prescribed by the Secretary is deemed to be sufficient to preclude an individual from engaging in any gainful activity." The regulations of the Secretary state that to qualify for disabled widows' benefits a person must have impairments which "meet the listings" or "are medically equivalent to those for any impairment shown there." Thus, vocational factors are not taken into account in determining the disability of a widow or widower.

Federal review of State determination

The Secretary may, on his own motion, review any determination by a State agency.

The law requires that the following minimum number of allowances (or continuances) of disability shall be reviewed by the Secretary:

	Percent [1]
Decisions made in fiscal year:	
1981	15
1982	35
1983 and thereafter	65

[1] Minimum percent reviewed.

Periodic review of individuals receiving disability benefits

The 1980 Disability Amendments required that the Social Security Administration reexamine every individual on the rolls who is determined to be nonpermanently disabled for benefit eligibility at least once every 3 years. Where there is a finding of permanency, the Secretary may reexamine at such times as is determined to be appropriate. These reviews are in addition to the administrative procedures existing prior to the 1980 amendments which determined continued eligibility for disability benefits. Legislation enacted in late 1982 provided authority for the Secretary to slow down the rate of continuing eligibility reviews mandated by the 1980 amendments.

Medical evidence

An individual is not considered under a disability unless he furnishes such medical and other evidence as the Secretary may require.

Under the law, the Secretary will generally reimburse physicians or hospitals for supplying medical evidence in support of claims for social security disability insurance benefits. The Secretary also pays for medical examinations if this is needed to adjudicate the claim.

Attorney's fees and representation

At the administrative level the Secretary of HHS is authorized to fix a reasonable fee for the services provided before the Social Security Administration for a Social Security applicant by an attorney and to pay such attorney's fee out of the applicant's past-due benefits. The amount that can be paid out of past-due benefits is limited to the smaller of (a) 25 percent of the past-due benefits; (b) the fee fixed by the Secretary; or (c) an amount agreed to by the applicant and the attorney. The Secretary certifies for payment to the attorney the fee so fixed.

A court which renders a decision favorable to a claimant for social security benefits is permitted to set a reasonable fee for the attorney who represented the claimant before the court. The fee cannot exceed 25 percent for the past-due benefits which result from the court's decision. The Secretary may certify for payments to the attorney, out of the total of the past-due benefits, the amount of the fee set by the court.

VOCATIONAL REHABILITATION

The Social Security Act requires that disabled persons applying for a determination of disability be promptly referred to State vocational rehabilitation agencies for necessary rehabilitation services. The act provided for withholding of benefits for refusal, without good cause, to accept rehabilitation services available under a State plan approved under the Vocational Rehabilitation Act in such amounts as the Secretary shall determine.

Public Law 97-35 eliminated reimbursement from the trust funds to the State vocational rehabilitation agencies for rehabilitation services except in cases where the services have resulted in the beneficiary's performance of substantial gainful activity (SGA) for a continuous period of at least 9 months. Such a 9-month period could begin while the individual is under a vocational rehabilitation program and may also coincide with the trial work period or the individual's waiting period for benefits. The services must be performed under a State plan for vocational rehabilitation services under title I of the Rehabilitation Act. In the case of any State which is unwilling to participate or which does not have a plan which meets the requirements of the Vocational Rehabilitation Act, the Commissioner of Social Security may provide such services by agreement or contract with other public or private agencies, organizations, institutions or individuals. The determination that the VR services contributed to the successful return of the individual to SGA and the determination of the amount of costs to be reimbursed shall be made by the Commissioner of Social Security in accordance with criteria formulated by him. Payments under this provision shall be made in advance or by way of reimbursement, with necessary adjustments for overpayments or underpayments.

Disability Claims and Appeals Structure

The social security appeals and case review process is a complex administrative structure which is inextricably linked with the disability determination process. Since about 97 percent of the hearing requests involve disability claims (both social security and SSI), the process described will be for that type of claim. The application for disability benefits is made at the Federal social security district office where the claimant is interviewed and the sources of medical evidence are recorded. After determining whether the applicant meets the insured status requirements, the case is then sent to the State agency which, operating as an agent of the Social Security Administration, makes the initial determination of disability. If a claimant or terminated beneficiary is dissatisfied with an initial denial or termination of disability benefits by the State agency, he can request a reconsideration within 60 days of notice of denial. The reconsideration is also carried out by the State agency but by personnel other than those who made the initial determination. If upon reconsideration the claimant is again denied benefits he will be given a hearing before an administrative law judge (ALJ) providing he files a request within 60 days of notice of denial. If the claim is denied by the ALJ, the claimant has 60 days to request review by the Appeals Council. The Appeals Council may also, on its own motion, review a decision within 90 days of the ALJ's decision. The 1980 Disability Amendments required the Secretary to review a percentage of ALJ hearing decisions, and this review is being conducted by the Appeals Council.

The Appeals Council may review, affirm, modify or reverse the decision of the ALJ, or it may remand it to the ALJ for further development. The claimant is notified in writing of the final action of the Appeals Council, and is informed of his right to obtain further review by commencing a civil action within 60 days in a United States district court.

Under current law, benefits of terminated DI beneficiaries are continued for 2 months after the month in which eligibility is determined to have ceased. The individual may request a reconsideration of the denial decision but is not eligible for benefits during the appeals process. If the eventual decision is in favor of the individual, retroactive payment is made.

Public Law 97-455 provided that an individual can receive benefits through the appeals process when a denial determination has been made before December 7, 1983. All such benefit payments will cease by June 1984. If the termination decision is upheld, the beneficiary must repay these benefits.

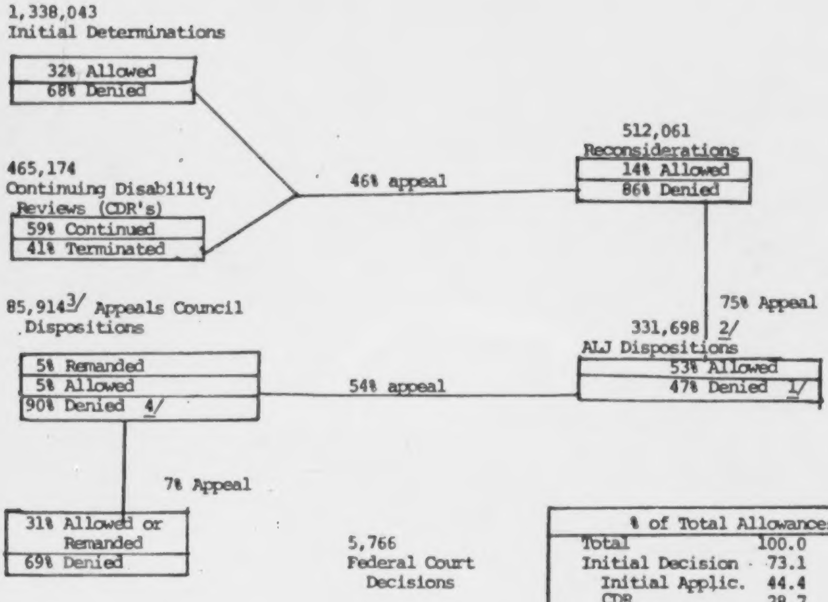
The magnitude and complexity of the disability determination and appeals process is shown in table 4. Of the 1,338,043 initial disability determination decisions by the State agency in fiscal year 1983, some 32 percent were allowed.

Actually the process is more complex than an initial glance at table 4 would indicate. For example, in fiscal year 1982, 71,450 initial allowances were selected for a Federal preeffectuation review after which 6,502 cases were returned to the State agencies. Ultimately 4,155 of these initial decisions were reversed. Thus, the Federal review process examined approximately 30 percent of initial allowances. A similar process also takes place for the continuing disability allowances and the reconsiderations which result in an allowance. As table 4 shows, out of the total 1,803,217 initial and continuing disability determinations in 1983, 61 percent were initially denied. Fewer than half of these appealed their denials to the reconsideration level, and 75 percent of those denied at the reconsideration level appealed to the administrative law judge hearing level. As a result, after all levels of appeal had been exhausted, only about 22.5 percent of those denied initially (either on initial application or continuing eligibility review) had benefits granted to them through the appeals process.

Table 5 presents information for fiscal years 1979 through 1983 of the number of cases which are reviewed and reversed at the administrative law judge level. Approximately 49.8 percent of initial denials were reversed in 1983.

TABLE 4.—DISABILITY DETERMINATIONS AND APPEALS, FISCAL YEAR 1983 [1]

Titles II and XVI
Workers, Widow(er)s, and Children


1,338,043
Initial Determinations
32% Allowed
68% Denied
512,061
Reconsiderations
14% Allowed
86% Denied
465,174
Continuing Disability Reviews (CDR's)
59% Continued
41% Terminated
46% appeal
75% Appeal
85,914 3/ Appeals Council Dispositions
331,698 2/
ALJ Dispositions
53% Allowed
47% Denied 1/
5% Remanded
5% Allowed
90% Denied 4/
54% appeal
7% Appeal
31% Allowed or Remanded
69% Denied
5,766
Federal Court Decisions

% of Total Allowances	
Total	100.0
Initial Decision	73.1
Initial Applic.	44.4
CDR	28.7
Reconsiderations	7.6
ALJ's	18.6
Appeals Council	0.5
Federal Court	0.1
	100.0

1/ Rates of appeals are based on total decisions made and not on receipt of appeals during the fiscal year.

2/ Includes Title II, Title XVI and concurrent Title II/XVI. Includes Continuing Disability Reviews (GDRs).

3/ Includes CDRs and own motion cases.

4/ Includes dismissals.

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TABLE 5.—ADMINISTRATIVE LAW JUDGE REVERSAL RATES—DISABILITY INSURANCE [1] INITIAL DENIALS AND TERMINATIONS,[2] FISCAL YEARS 1979–83

	Dismissed	Affirmed	Reversed	Total	Percent reversed
Fiscal year 1979:					
Initial denials	6,332	31,485	48,934	86,751	56.4
Terminations	1,401	4,078	8,052	13,531	59.5
Fiscal year 1980:					
Initial denials	7,093	31,703	56,733	95,529	59.4
Terminations	1,431	4,197	9,909	15,537	63.8
Fiscal year 1981:					
Initial denials	15,141	59,930	98,129	172,200	56.7
Terminations	2,623	6,945	16,685	26,253	63.6
Fiscal year 1982:					
Initial denials	15,403	67,481	91,865	174,749	52.6
Terminations	4,670	17,502	37,306	59,478	62.7
Fiscal year 1983:					
Initial denials	14,334	65,626	79,427	159,387	49.8
Terminations	9,247	37,284	73,821	120,352	61.3

[1] Includes title II and concurrent title II/title XVI disability cases.

[2] Includes all termination cases regardless of the basis for termination.

Source: Office of Hearings and Appeals, Social Security Administration.

Table 6 presents information on the number of continuing disability investigations which have taken place from fiscal year 1977 to 1982. From 1977 to 1981 the number of cases reviewed ranged from 2.9 percent to 6.0 percent of the total caseload. In fiscal year 1983, the percentage of cases reviewed climbed to 13.8 percent. The percent of cases which were terminated has held fairly constant at around 45 percent over this time period. This implies that the number of cases terminated has increased substantially. In fiscal year 1983, benefits were terminated for 182,074 disabled workers as compared with 80,956 2 years earlier. These beneficiaries have the ability to appeal and so these numbers should not be construed as the ultimate outcome of the continuing disability investigation process.

TABLE 6.—CONTINUING DISABILITY INVESTIGATIONS (CDI) INITIAL DECISIONS: TITLE II DISABLED WORKERS, DISABLED WIDOWS AND WIDOWERS, AND DISABLED CHILDREN CESSATIONS AND CONTINUATIONS, FISCAL YEARS 1977–83

	Cessations		Continuations		Total cases		
	Number	Percent	Number	Percent	Cessations and continuations	Total disabled persons [1]	Percent reviewed
1977	41,475	38.7	65,745	61.3	107,220	3,322,230	3.2
1978	38,847	46.4	44,804	53.6	83,651	3,418,931	2.4
1979	45,216	48.1	48,868	51.9	94,084	3,435,038	2.7
1980	44,273	46.8	50,227	53.2	94,550	3,433,695	2.8
1981	80,956	47.9	87,966	52.1	168,922	3,387,574	5.0
1982	179,857	44.8	221,325	55.2	401,182	3,224,136	12.4
1983	182,074	41.7	254,424	58.3	436,498	3,172,392	13.8

[1] In force at end of fiscal year.

Source: Office of Disability Programs, Social Security Administration.

RECENT EXPERIENCE IN THE DISABILITY PROGRAM

In the past several years, there has been a significant decline in the number of beneficiaries (from 4.868 million in 1978 to 3.813 million in December 1983). This is a decline of 21.7 percent. The number of awards has declined from 592,049 in 1975 to approximately 298,531 in 1982. This number increased slightly in 1983 to 311,491 awards. The incidence of disability (number of awards per 1,000 insured workers) fell from an all-time high of 7.1 in 1975 to 2.9 in 1982, the lowest incidence rate in the history of the program, and now stands at 3.0 for 1983. (See table 7.)

TABLE 7.—DISABLED WORKERS' APPLICATIONS, AWARDS AND RATIO OF AWARDS TO APPLICATIONS AND AWARDS PER 1,000 INSURED WORKERS FOR 1960, 1965, 1970 TO 1982

	Number of applications (in thousands)	Total awards	Total awards divided by total applications (percent)	Awards per 1,000 insured workers
1960	418.6	207,805	50	4.5
1965	532.9	253,499	48	4.7
1970	868.2	350,384	40	4.8
1971	924.4	415,897	45	5.6
1972	947.8	455,438	48	6.0
1973	1,066.9	491,616	46	6.3
1974	1,330.2	535,977	40	6.7
1975	1,285.3	592,049	46	7.1
1976	1,232.2	551,460	45	6.5
1977	1,235.2	568,874	46	6.5
1978	1,184.7	464,415	39	5.2
1979	1,187.8	416,713	35	4.4
1980	1,262.3	396,559	31	4.0
1981	1,161.3	345,254	30	3.4
1982	1,020.0	298,531	29	2.9
1983[1]	1,018.0	311,491	31	3.0

[1] Preliminary annual number based on 9 months of actual data.

Source: Office of the Actuary, Social Security Administration.

CHARACTERISTICS OF DI BENEFICIARIES

TABLE 8.—PERCENT DISTRIBUTION OF DISABILITY BENEFICIARIES BY AGE AND SEX, SELECTED YEARS 1970–79, COMPARED WITH ADULT U.S. POPULATION

Characteristics	Year allowed benefits					Adult U.S. population[1]
	1970	1973	1975	1978	1979	
Total percent	100.0	100.0	100.0	100.0	100.0	100.0
Age:						
Under 35	9.0	8.0	11.0	13.0	13.6	49.0
35 to 44	11.0	9.0	10.0	12.1	11.5	19.0
45 to 54	26.0	26.0	26.0	28.3	27.2	16.0
55 to 59	24.0	26.0	23.0	25.5	27.0	8.0
60 and over	30.0	31.0	30.0	21.2	20.6	8.0
Median age (years)	56.0	56.3	55.6	53.1	53.4	35.4
Sex:						
Male	74	71	68	70	69	49
Female	26	29	32	30	31	51

[1] Derived from 1980 Census; based on population aged 18–64.

Source: Office of Research and Statistics, Social Security Administration.

TABLE 9.—PERCENT DISTRIBUTION OF DISABILITY BENEFICIARIES BY EDUCATION AND OCCUPATION, SELECTED YEARS 1970–79, COMPARED WITH ADULT U.S. POPULATION

Education and occupation	Year allowed benefits					Adult U.S. population [1]
	1970	1973	1975	1978	1979	
Total percent	100	100	100	100	100	100
Education (years of school completed):						
No schooling	2	1	1	1	1	2
Elementary school (1 to 8)	44	40	37	31	29	17
High school	46	50	52	54	55	51
9 to 11	23	23	24	NA	23	14
12	23	26	28	NA	32	37
Some college	9	10	10	12	12	32
Unknown	0	0	0	2	3	2
Occupation:						
Professional, technical and managerial	12	13	18	11	14	24
Clerical and sales	15	15	14	12	15	25
Service	18	17	17	12	15	12
Farming	6	5	4	3	4	3
Transportation, packaging and handling, mineral extraction	14	13	12	10	12	18
Machine trades	11	11	10	8	10	18
Bench work	6	7	7	5	6	
Processing	3	4	3	3	3	
Structural work	15	15	15	32	14	
Unknown	0	0	0	4	7	

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[1] Derived from 1980 Census. Figures for education based on persons aged 25 and over. Figures for occupation based on employed population aged 18–64.

Source: Office of Research and Statistics, Social Security Administration.

NA—Not available.

TABLE 10.—PERCENT DISTRIBUTION OF DISABILITY BENEFICIARIES BY DISABLING CONDITION AND MOBILITY, SELECTED YEARS 1970–79

Disabling condition and mobility	Year allowed benefits				
	1970	1973	1975	1978	1979
Total percent	100	100	100	100	100
Disabling condition:					
Infective and parasitic diseases	3	2	1	1	1
Neoplasms	10	10	10	12	14
Allergic, endocrine system, metabolic and nutritional diseases	4	4	3	4	3
Mental, psychoneurotic and personality disorders	11	10	11	12	11
Diseases of the nervous system and sense organs	6	6	7	6	8
Circulatory system	31	32	32	29	28
Respiratory system	7	7	7	6	6
Digestive system	3	3	3	3	2
Skeletal musculo	15	17	17	19	17
Accidents, poisonings and violence	8	6	6	6	6
Other	2	3	3	3	3
Mobility:					
Institutionalized	6	3	2	2	2
Hospitalized	6	4	3	2	2
Housebound	6	3	2	1	2
Ambulatory outside house:					
With help	16	16	13	10	10
By self	66	73	77	82	82
Other/unknown	0	0	0	2	2

Source: Office of Research, Statistics, and International Policy, Social Security Administration.

RECENT LEGISLATIVE CHANGES

Continued payment of disability benefits during appeal

Under current law, a social security disability insurance (DI) beneficiary who is found to be no longer disabled under the provisions of the Social Security Act continued to receive benefits for 2 months after the month in which his eligibility was determined to have ceased. (As an administrative practice, individuals are generally found to be "no longer disabled" no earlier than the month in which the individual was notified of the termination decision.)

The individual may request a reconsideration of the decision, and if the termination is upheld, he may appeal the decision to an administrative law judge (ALJ). The individual is not eligible for benefits during the appeal process. However, if the initial termination decision is reversed, benefits are paid retroactively.

For beneficiaries who were found no longer disabled prior to December 7, 1983, upon request of the beneficiary, DI benefits and medicare coverage would continue to be paid through the month preceding the month of the decision pursuant to a hearing before an administrative law judge. These additional DI benefits would be subject to recovery as overpayments, subject to the same waiver provisions now in prior law, if the initial termination decision is upheld. This continuation of benefits is effective for benefit payments through May 1984. For cases where a termination decision is made after December 7, 1983, current law as described above applies.

Evidentiary hearings in reconsiderations of disability benefit terminations

Public Law 97-455 requires the Secretary to provide, beginning no later than January 1, 1984, opportunity for a face-to-face, evidentiary hearing during reconsideration of decisions to terminate benefits for disability beneficiaries. This requirement does not supplant or affect in any way the requirement of existing law for a hearing by an administrative law judge. The provision applies only to reconsiderations of determinations that the beneficiary is not disabled because the physical or mental impairment on which his eligibility is based is found to have ceased, not to have existed or to no longer be disabling.

Omnibus Budget Reconciliation Act of 1981 (Public Law 97-35)

Enacted as a part of this act was a provision which eliminated reimbursement from the trust funds to the State vocational rehabilitation agencies for rehabilitation services except in cases where the services have resulted in the beneficiary's performance of substantial gainful activity (SGA) for a continuous period of 9 months.

Also enacted was a provision to reduce social security disability benefits in recognition of related payments from other public programs (megacap); a provision to extend the offset to disabled worker beneficiaries aged 62 through 64 and their families, and a provision to change the month in which payments are first offset.

Section 4. Medicare

Medicare, authorized under title XVIII of the Social Security Act, is a nationwide health insurance program for the aged and certain disabled persons. It consists of two parts: the hospital insurance (part A) program and the supplementary medical insurance (part B) program.

ELIGIBILITY

Most Americans age 65 or older are automatically entitled to protection under part A. Persons age 65 or older who are not "fully insured" (i.e., not eligible for monthly social security or railroad retirement cash benefits) may obtain coverage, providing they pay the full actuarial cost of such coverage. The monthly premium, as of January 1, 1984, is $155. Also eligible, after a 2-year waiting period, are people under age 65 who are receiving monthly social security benefits on the basis of disability and disabled railroad retirement system annuitants. (Dependents of the disabled are not eligible.) Most people who need a kidney transplant or renal dialysis because of chronic kidney disease are, under certain circumstances, entitled to benefits under part A regardless of age.

Part B of medicare is voluntary. All persons age 65 or older (whether "insured" or not) may elect to enroll in the supplementary medical insurance program by paying the monthly premium. Persons eligible for part A by virtue of disability or chronic kidney disease may also elect to enroll in part B. The premium, as of January 1, 1984, is $14.60.

NUMBER OF BENEFICIARIES

In fiscal year 1984, approximately 26.8 million aged and 2.9 million disabled will have protection under part A. Of those, it is estimated that 6.8 million aged and 0.8 million disabled will actually receive reimbursed services. In fiscal year 1984, 26.6 million aged and 2.6 million disabled will be enrolled in part B. Over 18.5 million of the aged and 1.8 million of the disabled will receive part B reimbursed services.

TABLE 1.—NUMBER OF AGED AND DISABLED ELIGIBLE ENROLLEES AND BENEFICIARIES AND AVERAGE AND TOTAL MEDICARE BENEFIT PAYMENTS

[Persons in thousands]

	1980 (actual)	1983 (actual)	1984 (estimate)	1985 (estimate)	Projected average annual growth 1980–85
Part A:					
Persons with hospital insurance protection (monthly average):					
Aged	24,471	26,224	26,758	27,325	2.2
Disabled	2,977	2,903	2,905	2,888	—.6
Beneficiaries receiving reimbursed services:					
Aged	5,860	6,610	6,820	7,050	3.8
Disabled	800	780	800	810	.2
Average annual benefit per person enrolled: [1]					
Aged	$854	$1,285	$1,466	$1,663	14.3
Disabled	970	1,514	1,725	1,975	15.3
Total benefit payments (in millions):					
Aged	20,906	33,707	39,229	45,441	16.8
Disabled	2,887	4,395	5,010	5,703	14.6
Part B:					
Beneficiaries:					
Persons enrolled (average):					
Aged	24,410	26,008	26,558	27,151	2.2
Disabled	2,703	2,616	2,643	2,638	—.5
Beneficiaries receiving reimbursed services:					
Aged	15,525	17,815	18,511	19,243	4.4
Disabled	1,737	1,759	1,788	1,834	1.1
Average annual benefit per person enrolled:					
Aged	$346	$566	$651	$746	16.6
Disabled	630	1,032	1,151	1,304	15.7
Total benefit payments (in millions):					
Aged	8,441	14,726	17,292	20,257	19.1
Disabled	1,703	2,761	3,042	3,441	15.1

[1] Does not include administrative cost.

Source: Budget appendices—fiscal years 1982–85.

COVERAGE

Most individuals establish entitlement to part A on the basis of work in employment covered by either the social security or railroad retirement systems. Certain employment is excluded from social security (including part A hospital insurance) taxation. Prior to January 1, 1983, the exclusions included employment with the Federal Government which is covered under a staff retirement system established by law.

The Tax Equity and Fiscal Responsibility Act of 1982 extended the hospital insurance tax to Federal employment effective with respect to wages paid on or after January 1, 1983. For calendar year 1983, the tax was 1.3 percent of wages up to $35,700 and, for calendar year 1984, it is 1.3 percent of wages up to $37,800. Beginning January 1, 1983, Federal employment is used to determine eligibility for protection under medicare part A. A transitional provision allows individuals who are in the employ of the Federal Government both before and during January 1, 1983 to have their prior Federal employment considered as employment for purposes of providing medicare coverage.

BENEFITS

Part A of medicare will pay for:

1. *Inpatient hospital care.*—All reasonable expenses for the first 60 days minus a deductible ($356 in calendar year 1984) in each benefit period. For days 61–90, a coinsurance amount ($89 in calendar year 1984) is deducted. When more than 90 days are required in a benefit period, a patient may elect to draw upon a 60 day lifetime reserve. A coinsurance amount ($178 in calendar year 1984) is also deducted for each reserve day.
2. *Skilled nursing facility care.*—Up to 100 days (following hospitalization) in a skilled nursing facility for persons in need of continued skilled nursing care and/or skilled rehabilitation services on a daily basis. After the first 20 days, there is a daily coinsurance amount deducted ($44.50 in calendar year 1984).
3. *Home health care.*—An unlimited number of medically necessary home health visits by nurses, therapists, and other health workers for a homebound individual.
4. *Hospice care.*—For the period November 1, 1983 to October 1, 1986, medicare coverage for hospice care services provided to terminally ill medicare beneficiaries with a life expectancy of 6 months or less.

Part B of medicare pays 80 percent of the reasonable charges (or of reasonable cost) for covered services in excess of an annual deductible ($75). Services covered include the following:

1. *Doctor's services.*—Including surgery, consultation, and home, office and institutional visits. Certain limitations apply for services rendered by dentists, podiatrists and chiropractors and for the treatment of mental illness.
2. *Other medical and health services.*—Laboratory and other diagnostic tests, X-ray and other radiation therapy, outpatient services at a hospital, rural health clinic services, home dialysis supplies and equipment, artificial devices (other than dental), physical and speech therapy, and ambulance services.
3. *Home health services.*—Unlimited number of medically necessary home health visits. The 20 percent coinsurance and $75 deductible do not apply for such benefits.

TABLE 2.—BENEFIT PAYMENTS BY SERVICE UNDER PART A AND PART B, FISCAL YEARS 1975, 1980, AND 1985

[Dollars in millions]

	1975 payments (actual)		1980 payments (actual)		1985 payments (estimate)		Projected average annual growth (1975–85)
	Amount	Percent	Amount	Percent	Amount	Percent	
Part A							
For inpatient hospital services	$9,947	70.4	$27,837	67.5	48,177	64.4	17.1
For skilled nursing facility services	273	1.9	404	1.0	573	.8	7.7
For home health services	133	.9	668	1.6	2,154	2.9	32.1
For hospice services					240	.3	
Total benefit payments	10,353	73.2	28,909	70.1	51,144	68.3	17.3
Part B							
For physician services	2,861	20.3	8,780	21.3	17,745	23.7	20.0
For radiology and pathology services	199	1.4	650	1.6	552	.7	10.7
For outpatient services	540	3.8	2,347	5.7	4,581	6.1	23.8
For other medical and health services	165	1.3	568	1.4	820	1.1	17.4
Total benefit payments	3,765	26.8	12,345	29.9	23,698	31.7	20.2
Total	14,118	100.0	41,254	100.0	74,842	100.0	18.2

Source: Various budget appendices.

ADMINISTRATION

Responsibility for administration of the medicare program has been delegated by the Secretary of Health and Human Services to the Administrator of the Health Care Financing Administration (HCFA). Much of the day-to-day operational work of the program is performed by "intermediaries" and "carriers" which have responsibility for reviewing claims for benefits and making payments.

In general, hospitals and other providers paid under part A of medicare can nominate, subject to HCFA's approval, a national, State, or other public or private agency to serve as a fiscal intermediary between themselves and the Federal Government. Presently, there are 64 intermediaries, including 56 Blue Cross plans.

Medicare payments that are based on reasonable charges are made by insurance organizations, referred to as carriers, that have been selected by the Secretary to serve specified geographical areas. There are 39 carriers, including 27 Blue Shield plans.

REIMBURSEMENT POLICIES AND PROCEDURES

Hospitals

The Social Security Amendments of 1983 (Public Law 98-21) altered the way in which medicare pays hospitals. From the inception of the program, medicare had paid hospitals on a "reasonable cost" basis. Effective October 1, 1983, medicare will pay under a prospective payment system. Medicare payments for inpatient operating costs of hospitals will be determined in advance and made on a per discharge basis. A fixed amount per case will be paid based upon the type of case or "diagnosis-related group" (DRG) into which the case is classified.

The payment system will not apply to capital-related costs nor to direct medical education costs. These expenses will continue to be reimbursed on a reasonable cost basis. Certain hospitals excluded from the system are: psychiatric, long-term care, children's and rehabilitation hospitals. Excluded hospitals will continue to be paid based on reasonable costs subject to certain rate of increase limitations.

Additional payments may be made for extraordinarily costly cases and for the indirect costs of medical education. An adjustment will be made for the wage level in the area in which the hospital is located. In addition, there are certain other exceptions and adjustments including those for sole community providers, national and regional referral centers, cancer treatment centers and hospitals that serve a disproportionately large number of low income and medicare beneficiaries.

The payment system will be phased in over 3 years from payments based on an individual hospital's historic costs to payments based on the new prospective payment rates. In addition, the system will be phased in from payments representing nine regional payment levels to one national payment level for each DRG. There will be separate payment levels for urban and rural areas.

Hospitals and other institutional providers receiving payment under medicare part A submit bills on behalf of the beneficiary and agree to accept the program's payment as payment in full. In general, providers are permitted to charge beneficiaries only the deductible and coinsurance amounts authorized by law.

Physicians

Medicare law provides that payments are to be made to or on behalf of persons enrolled under part B of the medicare program for expenses incurred by them for covered physicians' services and for covered services provided by other non-institutional providers. After certain deductible and coinsurance amounts have been met, medicare pays for covered physician services on the basis of "reasonable charges."

The reasonable charge for a specific service, in the absence of unusual medical complications, can be: (1) no higher than the individual practitioner's *customary charge for that service;* (2) no higher than the applicable *prevailing charge* for similar services in the locality; and (3) no higher than the *actual charge* of the individual physician rendering the service.

Customary and prevailing charge screens used to calculate the reasonable charge are updated every July 1.

For a more complete description of how medicare reimburses hospitals and doctors, see Appendix D.

The following table shows the number of participating institutions and organizations.

TABLE 3.—PARTICIPATING INSTITUTIONS AND ORGANIZATIONS (JUNE 1983)

Hospitals	6,737
Short stay	6,050
Long stay	684
Skilled nursing facilities	5,632
Home health agencies	3,959
Independent laboratories	3,643
Outpatient physical therapy providers	678
Portable X-ray suppliers	262
Rural health clinics	419
Facilities providing services to renal disease beneficiaries	1,246
Hospitals certified as both renal transplant and renal dialysis centers	151
Hospitals certified as renal transplant centers	8
Hospital dialysis facilities	114
Non-hospital renal dialysis facilities	556
Dialysis centers only	375
Inpatient care	42

HOSPITAL AND SKILLED NURSING FACILITY BEDS (JUNE 1983)

Hospitals	1,143,699
Short stay	1,017,320
Long stay	126,379
Skilled nursing facilities	511,663

Source: Health Care Financing Administration.

END STAGE RENAL DISEASE PROGRAM

In 1972, Public Law 92–603 was signed extending medicare coverage for certain individuals with chronic renal failure. The medicare program covers individuals, under age 65, who suffer from end stage renal disease, if they are (1) fully insured for old age and survivor insurance benefits, or (2) are entitled to either monthly social security benefits, or (3) are spouses or dependents of individuals described in (2). Such persons must be medically determined to be suffering from end stage renal disease and must file an application for benefits. Approximately 7 percent of the population suffering from end stage renal disease (ESRD) does not meet any of these requirements and thus are not covered for medicare renal benefits.

Benefits for qualified end stage renal disease beneficiaries include all part A (hospital insurance) and part B (supplementary medical insurance) medical items and services. ESRD beneficiaries are automatically enrolled in the part B portion of medicare and must pay the monthly premium for such protection.

Total projected program expenditures for medicare end stage renal disease program for fiscal year 1984 amount to $2.15 billion. In fiscal year 1984, there are projected to be 76,800 ESRD beneficiaries.

Outpatient maintenance dialysis can be provided in either a hospital-based setting or independent (often called freestanding) setting.

Payment for maintenance dialysis under medicare until 1983 had been based on cost-based principles in the case of outpatient dialysis care furnished by hospitals and on the basis of "reasonable" or allowed charges in the case of services provided by independent (or free-standing) dialysis treatment facilities. Payments for treatments in both types of facilities were further limited to certain maximum dollar amounts per treatment known as "payment screens," except for specially approved adjustments to such amounts. The average payment under this system was $138 for freestanding facilities and $159 for hospital-based facilities.

In 1981, the Congress passed Public Law 97-35 which required the Secretary to establish dual, or separately calculated, prospective rates for hospital-based and for freestanding facilities. Congress expressed a preference that these formulas be composite in nature, that is, they take into account the proportions of hospital-based and independent facility patients dialyzing at home and the relative costs of providing dialysis at home and in the facility setting.

Under the regulations implementing the law, before any exceptions are taken into account, the average (base) payment rate under the prospective payment system is $127 per treatment for independent facilities and $131 per treatment for hospital units, regardless of whether the treatment is furnished in the facility or in the patient's home. The payment rates are adjusted by an area wage index to take into account differences in the local labor costs of dialysis facilities so that the actual payment rates (without any adjustments for exceptions) may vary above and below the average payment rates established for hospital-based an independent dialysis units. The new prospective payment system was implemented as of August 1, 1983.

Kidney transplants are covered for medicare beneficiaries. The cost incurred by the kidney donor are reimbursed by medicare even if the donor is not a medicare beneficiary. Medicare reimbursed more than 90 percent of the kidney transplants performed in the United States. Table 4 shows the numbers of transplants performed in medicare certified hospitals.

TABLE 4.—TOTAL KIDNEY TRANSPLANTS PERFORMED IN MEDICARE CERTIFIED U.S. HOSPITALS

Calendar year	Total transplants	Living donor		Cadaveric donor	
		Number	Percent	Number	Percent
1979	4,189	1,186	28	3,003	72
1980	4,697	1,275	27	3,422	73
1981	4,883	1,458	30	3,425	70
1982	5,358	1,677	31	3,681	69

HOME HEALTH

The hospital insurance (part A) and the supplementary medical insurance (part B) programs cover home health services without a deductible or coinsurance charge. There is no limitation on the number of home health visits covered under the home health program, and there is no prior hospitalization requirement. When an individual is covered under part A and B of the medicare program, the individual will generally receive payment for home health services under part A of the program.

Reimbursement to home health agencies is based on medicare rules for reasonable cost reimbursement. However, home health agencies are required to use the cost per visit by type of service for apportioning costs. Under this method, the total allowable costs of all visits for each type of service (skilled nursing, home health aide, etc.) is divided by the total number of visits by type of service. These average cost per visit amounts are multiplied by the number of covered medicare visits for each type of service. The products represent the cost medicare will recognize by type of service, subject to home health agency cost limits.

Cost limits for home health agencies are set at a specified percentile of average per visit costs. Though the limits are established by type of service, they are applied to each agency as a single aggregate limit based on the number of visits for each type of service. Public Law 97-35 reduced from the 80th percentile to the 75th percentile the reimbursement limits applied to home health agency costs.

Public Law 97-248 required the Secretary to establish a single reimbursement limit for home health agencies based on the cost experience of freestanding home health agencies. Prior to this, separate limits had been established for freestanding and provider-based home health agencies. The conference agreement on Public Law 97-248 directed the Secretary, in establishing the single limits, to make adjustment, as appropriate, for hospital-based home health agencies based on legitimate cost differences resulting from such factors as a more complex case mix and the effects of medicare cost allocation requirements. As of December 20, 1983, implementing regulations had not been issued.

The medicare home health benefit is the fastest growing part of the medicare program. Table 5 below indicates the increase in medicare program expenditures for home health care.

TABLE 5.—MEDICARE HOME HEALTH SERVICES

Calendar year	Total medicare reimbursements (millions)	Percent change	Total medicare visits (millions)	Visits per 1,000 enrollees	Visits per user	Average charge per visit
1969	$81.1		8.5	424		$10
1970	62.7	−22.7	6.0	291		12
1971	57.2	−8.8	4.8	226		13
1972	66.2	15.7	5.2	241		14
1973	93.3	40.9	6.4	265		15
1974	138.6	48.6	7.9	340	20.6	17
1975	214.9	55.1	10.8	431	21.6	20
1976	296.7	38.1	13.6	520	22.7	22
1977	370.6	24.9	15.8	597	22.5	25
1978	442.8	19.5	17.6	639	22.5	27
1979	541.3	22.3	19.9	717	22.9	30
1980	662.1	22.3	22.4	788	23.4	33
1981	856.0	29.3	26.1	898	25.5	36
1982[1]	1,268.1	33.2	30.6	1,037		
1983[1]	1,491.3	17.6				
1984[1]	1,720.9	15.4				
1988[1]	2,600.3	[2] 10.9				

[1] Projections based on fiscal years.

[2] Average projected annual growth from 1984 to 1988.

Source: HCFA/Bureau of Data Management and Statistics.

HOSPICE CARE

Public Law 97-248 authorizes medicare part A coverage for hospice care services provided to individuals who are entitled to medicare part A benefits and who are certified to be terminally ill.

On December 16, 1983, the Health Care Financing Administration (HCFA), published regulations to implement the hospice provisions of Public Law 97-248. Among other things, the regulations establish requirements for eligibility, covered benefits, services, reimbursement procedures, and the conditions a hospice must meet to be approved for participation in the medicare program.

Part A beneficiaries may elect to receive hospice care in lieu of most other medicare benefits for up to two periods of 90 days each, plus an additional 30 days.

The statute provides that payment to hospice providers be equal to the costs which are reasonable and related to the cost of providing hospice care, or which are based on such other tests of reasonableness as the Secretary may prescribe, subject to a "cap amount." The cap amount for a beneficiary for a year is $6,500, adjusted annually by the medical component of the CPI.

HCFA has implemented a prospective payment methodology for hospice care. Under this methodology, hospices would be paid one of several predetermined rates for each day a medicare beneficiary is under the care of the hospice. The rates would vary according to the level of care furnished to the beneficiary. Total reimbursement to a hospice for care furnished to the medicare beneficiary would vary by the length of the patient's period in the hospice program as well as by the characteristics of the services (intensity and site) program furnished to the beneficiary.

The regulations would establish four basic payment categories. The payment rates are national rates which are adjusted by the BLS wage index for an area. The payment rates are:

(a) *Routine home care day.*—Routine home care day is a day on which an individual who has elected to receive hospice care is at home and is not receiving continuous home care. The routine home care rate would be paid for every day a patient is at home and under the care of the hospice regardless of the volume or intensity of the services provided on any given day as long as less than 8 hours of care are provided. Under the regulations the national rate for a home care day is $46.25.

(b) *Continuous home care day.*—A continuous home care day is day on which an individual who has elected to receive hospice care receives hospice care consisting predominantly of nursing care on a continuous basis at home. Home health aide or homemaker services or both may also be provided on a continuous basis. Continuous home care is furnished only during brief periods of crisis and only as necessary to maintain the terminally ill patient at home. Home care would have to be provided for a period of at least 8 hours before it would be considered to fall within the category of continuous home care. The national payment amount is $358.67 for twenty-four hour care.

(c) *Inpatient respite care day.*—An inpatient respite care day is one on which the individual who has elected hospice care receives care in an approved facility on a short-term (not more than 5 days at a time) basis for the respite of his caretakers. The national payment rate is $55.33.

(d) *General inpatient care day.*—A general inpatient care day is one on which an individual who has elected hospice care receives general inpatient care in an inpatient facility for pain control or acute or chronic symptom management which cannot be managed in other settings. Care may be provided in a hospital, skilled nursing facility or inpatient unit of a freestanding hospice. The national payment rate is $271.00.

SKILLED NURSING FACILITY

In general, skilled nursing facilities are reimbursed on the basis of reasonable costs subject to certain limits.

Reimbursement limits for skilled nursing facilities have been established for inpatient general routine service costs. On September 29, 1982, the schedule of limits was published for cost reporting periods beginning on or after October 1, 1982. These limits are set at 112 percent of the average labor-related and average non-labor related costs of each comparison group.

The Tax Equity and Fiscal Responsibility Act of 1982 (P.L. 97-248) required the Secretary to establish a single payment limit for both, freestanding and hospital-based skilled nursing facilities (SNF's) based on the cost experience of freestanding facilities, subject to adjustments for hospital-based SNF's deemed appropriate. The provision was to be effective October 1, 1982. The Social Security Amendments of 1983 (P.L. 98-21) postponed the effective date for one year. In addition, Public Law 98-21 required the Secretary to report by December 31, 1983 on the effect of the implementation of the TEFRA single-rate provision on hospital-based SNF's, given the difference (if any) in the patient populations served by such facilities and by freestanding SNF's. Further, the Secretary was required to report by the end of 1983 on the impact of hospital prospective payment on SNF's. As of January 1, 1984, neither the implementing regulations nor the report had been issued.

Public Law 97-248 also required the Secretary to develop, in consultation with the Senate Finance Committee and the House Committee on Ways and Means, proposals for the prospective reimbursement of SNF's. The Secretary was required to report on these proposals to Congress by December 31, 1982. Such proposals have not, as of December 20, 1983, been sent to the Congress.

UTILIZATION AND QUALITY CONTROL PEER REVIEW PROGRAM

The Social Security Amendments of 1972 provided for the establishment of Professional Standards Review Organizations (PSRO's) throughout the country which were charged with the comprehensive and on-going review of services provided under medicare, medicaid, and the maternal and child health programs. PSRO's determine, for purposes of reimbursement under these programs, whether services are: (1) medically necessary, (2) provided in accordance with professional standards, and (3) in the case of institutional services, rendered in the appropriate setting. PSRO's were formed by organizations representing substantial numbers of practicing physicians in geographic areas nationwide.

The Omnibus Budget Reconciliation Act of 1981 (Public Law 97-35) required the Secretary of Health and Human Services to assess the relative performance of PSRO's and authorized the Secretary to terminate up to one-third of all PSRO's prior to October 1, 1982, based on such assessment. Further, under the law, PSRO's were no longer reimbursed directly for review of medicaid services. A State, at its option, could contract with a PSRO for medicaid review with Federal matching funds of 75 percent. In 1983, there were 141 PSRO's being funded.

The Tax Equity and Fiscal Responsibility Act of 1982 repealed the existing part B of title XI of the Social Security Act (relating to PSRO's) and established a new program. Under this new program, a peer review organization (PRO) is defined as an entity which is either composed of a substantial number of the licensed doctors of medicine and osteopathy practicing in the area or has available to it sufficient numbers of such physicians so that adequate peer review of various medical services can be assured.

The PRO program is similar to the PSRO program with the following important distinctions. Under the new program, eligible organizations may be either for-profit or non-profit and may be either physician groups or have available to them sufficient physicians to perform review. The Secretary is required to consolidate existing PSRO geographic areas, with each State generally designated as a single area. The Secretary is required to enter into a contract with a peer review organization for each geographic area. Priority consideration must be given to physician-sponsored organizations; payor organizations are excluded from participation until October 1, 1984. Contracts with provider or provider-affiliated organizations are prohibited though subcontracts with such entities are permitted. The law provides that contracts are for an initial period of 2 years, renewable biennially. Contracts with PRO's must specify objectives to be achieved for each PRO over the contract period. Performance will be rated in terms of meeting these goals.

These entities may review, subject to the provisions of the contracts, the professional activities of physicians, other practitioners and institutional and noninstitutional providers in rendering services to medicare beneficiaries. The review is to focus on the necessity and reasonableness of care, quality of care, and the appropriateness of the setting. The determinations of the peer review organizations would ordinarily be binding for purposes of determining whether benefits should be paid.

States are authorized to contract with review organizations for medicaid review and 75 percent Federal matching is authorized for such purpose.

Hospitals are required to contract with a PRO in the area on or before October 1, 1984, as a condition of receiving payment under the medicare program.

FINANCING

Background

The medicare part A Hospital Insurance Trust Fund (HI) finances inpatient hospital, skilled nursing facility, home health and other institutional services. The part B Supplementary Medical Insurance Trust Fund (SMI) finances principally physician and hospital outpatient services.

The Hospital Insurance Trust Fund is financed primarily through social security payroll tax contributions paid by employers, employees and the self-employed. The payroll tax rate for calendar year 1984 is 1.3 percent of earnings up to $37,800 per employee. An equal contribution rate is paid by the employer. Table 6 shows the contribution rates and maximum taxable earnings for both HI and the old-age, survivors and disability insurance (OASDI) programs.

TABLE 6.—CURRENT LAW SOCIAL SECURITY PAYROLL TAX RATES FOR EMPLOYERS AND EMPLOYEES EACH AND TAXABLE EARNINGS BASES

Calendar year	Employee and employer rates, each (percent)			Taxable earnings base	Maximum HI tax
	OASDI combined	HI	OASDHI combined		
1977	4.95	0.90	5.85	$16,500	$148.50
1978	5.05	1.10	6.05	17,700	194.70
1979	5.08	1.05	6.13	22,900	240.45
1980	5.08	1.05	6.13	25,900	271.95
1981	5.35	1.30	6.65	29,700	386.10
1982	5.40	1.30	6.70	32,400	421.20
1983	5.40	1.30	6.70	35,700	464.10
1984	5.70	1.30	7.00	37,800	491.40
1985	5.70	1.35	7.05	[1] 39,300	530.55
1986	5.70	1.45	7.15	[1] 40,800	591.60
1987	5.70	1.45	7.15	(2)	(2)
1988	6.06	1.45	7.51	(2)	(2)
1989	6.06	1.45	7.51	(2)	(2)
1990	6.20	1.45	7.65	(2)	(2)

[1] Projection based upon intermediate II–B assumptions, 1983 trustees' report.

[2] The maximum earnings subject to the tax increases each year in accordance with the increase in average earnings.

Those who are uninsured under part A may elect to enroll by paying the full cost of coverage. The cost of the monthly premium for calendar year 1984 is $155.

Part B, which is voluntary, is financed from premiums paid by the aged, disabled and chronic renal disease enrollees and from the general revenues. The premium rate is derived annually based upon the projected costs of the program for the coming year. Under prior law, the premium rate was changed on July 1 of each year. The Social Security Amendments of 1983 (Public Law 98-21) moved the premium increase date to January 1 of each year to coincide with the changed date for the annual social security cash benefit cost-of-living (COLA) increase.

Ordinarily, the premium rate is the lower of: (1) an amount sufficient to cover one-half of the costs of the program for the aged or (2) the current premium amount increased by the percentage by which cash benefits were increased under the COLA provisions of the social security program. Premium income, which originally financed half of the costs of part B, had declined—as a result of this formula—to less than 25 percent of total program income.

The Tax Equity and Fiscal Responsibility Act of 1982 (Public Law 97-248), temporarily suspended the COLA limitation for 2 years—calendar years 1984 and 1985. During this period, enrollee premiums will be allowed to increase to amounts necessary to produce premium income equal to 25 percent of program costs for elderly enrollees. The monthly premium beginning July 1, 1982, was $12.20. Due to TEFRA, the July 1983 increase was postponed. Beginning January 1, 1984, for calendar year 1984, the part B premium is $14.60.

As noted above, the premiums paid by part B enrollees finance only one-quarter of the cost of the program. The remaining cost is financed from the Federal general revenues.

FINANCIAL STATUS OF THE TRUST FUNDS

The Hospital Insurance Trust Fund balances are dependent upon the income to the HI trust fund through payroll taxes and the small general revenue contributions for uninsured individuals exceeding the outlays for medicare benefits and administrative costs. Outlays are affected by increases in inpatient hospital costs which have been rising at a faster rate than the income to the HI trust fund. Table 7 shows the percentage increase in medicare outlays from fiscal year 1967 to fiscal year 1985. According to the Congressional Budget Office, hospital costs attributable to medicare beneficiaries are projected to increase over the 1982-89 period at an average annual rate of 12.2 percent, while income is projected to grow at an annual rate of 10.2 percent. This results in a difference of 2 percent.

Due to this excess of outlays over income, the HI trust fund faces serious financial difficulties in the future. Under current policies, the trust fund is expected to be depleted in the early part of the next decade.

TABLE 7.—MEDICARE OUTLAYS, FISCAL YEARS 1967-85

Fiscal year	Part A		Part B		Total	
	Dollars (in millions)	Percent increase (over prior year)	Dollars (in millions)	Percent increase (over prior year)	Dollars (in millions)	Percent increase (over prior year)
1967	2,597		799		3,396	
1968	3,815	46.9	1,532	91.7	5,347	57.4
1969	4,758	24.7	1,840	20.1	6,598	23.4
1970	4,953	4.1	2,196	19.3	7,149	8.4
1971	5,592	12.9	2,283	4.0	7,875	10.2
1972	6,276	12.2	2,544	11.4	8,820	12.0
1973	6,842	9.0	2,637	3.7	9,479	7.5
1974	8,065	17.9	3,283	24.5	11,348	19.7
1975	10,612	31.6	4,170	27.0	14,782	30.3
1976 [1]	12,579	18.5	5,200	24.7	17,779	20.3
1977	15,207	20.9	6,342	22.0	21,549	21.2
1978	17,862	17.5	7,350	15.9	25,211	17.0
1979	20,343	13.9	8,805	19.8	29,148	15.6
1980	24,287	19.4	10,746	22.1	35,034	20.2
1981	29,248	20.4	13,240	23.2	42,488	21.3
1982	34,864	19.2	15,559	17.5	50,423	18.7
1983	38,551	10.6	18,317	17.7	56,868	12.8
1984 (est.)	44,382	15.1	21,205	15.8	65,587	15.3
1985 (est.)	50,751	14.4	24,495	15.5	75,246	14.7

[1] In the transition quarter from July to October 1976 (when the beginning of the Federal fiscal year was changed), outlays were $4,805 million. These outlays do not appear in the table.

Source: 1983 Annual Report of the Board of Trustees: Federal Hospital Insurance Trust Fund and Supplementary Medical Insurance Trust Fund and CBO projections for 1984 and 1985 under current law.

The increased medicare outlays are attributable to a variety of factors. According to CBO, of the 12.4 percent annual increase of hospital costs attributable to medicare beneficiaries, only 2.2 percent is accounted for by the aging of the population. Hospital input prices—labor, capital and supplies—represent an average annual increase of 6 percent. The remaining increase of approximately 4 percent is attributable to the expansion of medical services—both changes in treatment and complexity of medical practices and increases in the number of services provided to patients.

Interfund borrowing

The Old-Age and Survivors Trust Fund has borrowed $12.4 billion from the HI trust fund. While the CBO projections assume a repayment of the loan by 1987, this is not a certainty. If repayment did not occur, the HI trust fund would be depleted in 1989 rather than 1990.

The OASI trust fund was first authorized to borrow from the HI trust fund and the Disability Insurance (DI) Trust Fund in Public Law 97-123. The Social Security Amendments of 1983 (Public Law 98-21) extended the interfund borrowing authority from 1982 through 1987.

Under the law, loans would be required to be repaid at the earliest possible date, but not later than 1989. Interest would be paid monthly to HI on any outstanding loans to OASDI. OASDI could not borrow from HI in any month in which the HI trust fund ratio is under 10 percent. In 1983 through 1987, OASDI would repay loans from HI whenever the OASDI fund ratio at the end of the year exceeded 15 percent. In 1988 through 1989, OASDI would repay HI, in 24 equal monthly installments, the loan balance outstanding at the end of 1987 plus outstanding interest.

Supplementary medical insurance

Because the Supplementary Medical Insurance Trust Fund (SMI) is financed through beneficiary premiums and the general revenues, it does not face the prospect of depletion as does the HI trust fund. However, the rapidly rising cost of health care is placing a heavy burden on the SMI trust fund—causing beneficiary premiums to rise and increasing the Federal deficit.

CBO estimates that SMI outlays will increase at an annual rate of 15.4 percent from 1984 through 1989. The share of general revenues necessary to finance the SMI trust fund will rise from 3.7 percent to 5.9 percent between 1982 and 1989.

HI and SMI trust fund income, outlays, and balances

Table 8 shows the projections of the Congressional Budget Office and the administration for the HI and SMI trust funds with respect to income, outlays and balances for the years 1982 through 1989. The CBO and administration figures differ due to differing economic and other assumptions.

The baseline projections shown in table 8 for the hospital insurance component of medicare are particularly uncertain after 1985 because of uncertainties concerning future hospital reimbursements. The social security amendments of 1983 instituted a prospective reimbursement system for inpatient hospital services. For 1984 and 1985, the social security amendments gave explicit guidance concerning the setting of the DRG rates. After 1985, the DRG rates are to be set by the Secretary of Health and Human Services, advised by an independent commission.

The CBO baseline projections assume that hospital insurance expenditures, adjusted for increased admissions, will grow about 2.5 percent above the growth in the prices of hospital inputs in 1986 and beyond. This assumed growth rate incorporates not only future increases in DRG rates, but also increases in hospital expenditures not explicitly limited by the prospective system. The baseline assumes that the new system will moderate the hospital insurance growth rate, adjusted for admissions and input prices, by about 1 percent compared to recent experience.

Under the baseline projections, from 1984 to 1989 outlays increase at an annual rate of 11.9 percent while income increases at an annual rate of 10.3 percent. This leaves a projected balance in the HI trust fund at the end of 1989 of $30.0 billion.

Under the low growth projections (shown in section 5), outlays increase at an annual rate of 9.8 percent while income grows at an annual rate of 7.9 percent from 1984 to 1989. This difference of 1.9 percent between outlays and income compared to the baseline difference of 1.6 percent causes the balance at the end of fiscal year 1989 to be lower; $24.9 billion compared to the baseline balance of $30.0 billion.

Under the high growth projections (also shown in section 5), outlays increase at an annual rate of 13.9 percent compared to income growth of 12.3 percent per year. This leaves a balance of $33.5 billion at the end of fiscal year 1989. The perceived financial status of the HI trust fund in the future is dependent upon the estimated outlay growth compared to revenue growth. A small difference in the assumptions underlying those projections can create large differences in when the HI trust fund will be depleted and upon the amounts needed to keep the trust fund balances positive through a given time period.

TABLE 8.—PROJECTIONS FOR THE FEDERAL HOSPITAL AND SUPPLEMENTARY MEDICAL INSURANCE TRUST FUNDS, BUDGET AUTHORITY, AND OUTLAYS, FISCAL YEARS, UNDER CBO BASELINE AND REAGAN ECONOMIC ASSUMPTIONS, PRESENT LAW

[In billions]

1982 (actual)	1983	1984	1985	1986	1987	1988	1989
Hospital Insurance Trust Fund:							
Congressional Budget Office:							
Income [1]	31.5	45.6	51.9	59.3	71.0	75.3	74.3
Outlays	38.6	44.4	50.8	55.7	62.3	69.9	78.0
Year end balance	13.7	14.9	16.0	19.6	28.3	33.7	30.0

TABLE 8.—PROJECTIONS FOR THE FEDERAL HOSPITAL AND SUPPLEMENTARY MEDICAL INSURANCE TRUST FUNDS, BUDGET AUTHORITY, AND OUTLAYS, FISCAL YEARS, UNDER CBO BASELINE AND REAGAN ECONOMIC ASSUMPTIONS, PRESENT LAW—Continued

[In billions]

1982 (actual)	1983	1984	1985	1986	1987	1988	1989
Start of year balance as percentage of outlays	53.9	37.6	35.9	35.4	38.4	47.2	49.6
Reagan administration:							
Income [1]	31.5	45.4	51.2	60.0	71.4	71.4	74.1
Outlays	38.6	45.1	52.1	56.4	62.5	68.9	75.7
Year end balance	13.7	14.0	13.1	16.7	25.6	28.1	26.5
Start of year balance as percentage of outlays	53.9	30.4	26.9	23.2	26.7	37.2	37.1
Supplementary Medical Insurance Trust Fund:							
Congressional Budget Office:							
Income	19.1	22.5	25.7	29.9	34.5	39.7	45.6
Outlays	18.3	21.2	24.5	28.3	32.6	37.6	43.2
Year end balance	6.5	7.9	9.1	10.7	12.6	14.7	17.1
Reagan administration:							
Income	19.1	22.4	25.7	29.5	33.8	38.5	43.9
Outlays	18.3	21.2	24.7	28.7	32.8	37.4	42.6
Year end balance	6.5	7.7	8.7	9.7	10.5	11.6	12.9
Combined HI and SMI outlays:							
Congressional Budget Office	56.9	65.6	75.3	84.0	94.9	107.5	121.2
Reagan administration	56.9	66.3	76.8	85.1	95.3	106.3	118.3

[1] Income includes premium payments, general revenue financing, and interest.

Source: Congressional Budget Office, and Office of the Actuary, SSA.

RECENT LEGISLATIVE CHANGES

Summarized in tables 9, 10, and 11 are the legislative changes made in medicare in 1981, 1982, and 1983. The changes were incorporated in the Omnibus Budget Reconciliation Act of 1981 (Public Law 97-35), the Tax Equity and Fiscal Responsibility Act of 1982 (Public Law 97-248), and the Social Security Amendments of 1983 (Public Law 98-21).

Included in the tables are the most recent Congressional Budget Office estimates of the impact of the provisions. The annual savings have not been totaled because of the differences in underlying economic assumptions in each year's estimates. In addition, some of the provisions have not yet been implemented.

TABLE 9.—CONGRESSIONAL BUDGET OFFICE [1] REVISED ESTIMATES FOR LEGISLATIVE CHANGES MADE IN CALENDAR YEAR 1981 (OMNIBUS BUDGET RECONCILIATION ACT OF 1981)

[In millions of dollars]

January 1982 estimates	Fiscal year		
	1982	1983	1984
Provisions affecting hospital insurance:			
Making part A deductible and coinsurance more current	−185	−305	−360
Less frequent SNF surveys [2]	−4	−4	−4
Repeal of temporary delay in periodic interim payments	−692	0	0
Making part A coinsurance current with the year in which services are furnished	−5	−10	−10
Set section 223 limits on reimbursements to hospitals at 108 percent	−75	−105	−125
Limit nursing differential to 5 percent	−95	−105	−130
Elimination of occupancy test for hospital long-term care	−70	−80	−90
Set section 223 limits on reimbursement to home health agencies at 45th percentile	−12	−23	−27
PSRO modifications	−5	−8	−5
Payments to promote closing and conversion of underutilized facilities [2]	−2	−7	−19
Elimination of need for occupational therapy as a basis for entitlement to home health services	−23	−27	−31
Eliminate reimbursement for free-standing alcohol detoxification facilities	([3])	([3])	([3])
Total—Hospital insurance	−1,168	−674	−801
Provisions affecting supplementary medical insurance:			
Increase in part B deductible and elimination of carryover from previous year	−175	−265	−295
Civil money penalties	−7	−7	−7
Elimination of unlimited open enrollment	−9	−10	−11
Limitation on reasonable charge for outpatient services	−15	−23	−27
Incentive reimbursement rate for renal dialysis services [4]	−105	−130	−155
Medicare payments secondary in cases of end-stage renal disease (revenue increase)	−95	−165	−180
Total—Supplementary medical insurance	−406	−600	−675
Total HI and SMI	−1,574	−1,274	−1,476

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[1] This table reflects estimates from the Congressional Budget Office which show the impact of the legislative changes enacted during 1981. The numbers are not extremely sensitive to economic conditions. Thus any changes to the numbers from earlier estimates represent different assumptions.

[2] As of January 1, 1984, the provision had not been implemented.

[3] Negligible.

[4] CBO and Administration estimate that was used during the 1981 reconciliation process.

Note.—Minus (−) indicates an expenditure reduction or revenue increase, plus (+) indicates an expenditure increase or revenue decrease.

TABLE 10.—CONGRESSIONAL BUDGET OFFICE[1] REVISED OUTLAY ESTIMATES FOR LEGISLATIVE CHANGES MADE IN CALENDAR YEAR 1982 (TAX EQUITY AND FISCAL RESPONSIBILITY ACT OF 1982)

[In millions of dollars]

January 1983 estimates	Fiscal year				
	1983	1984	1985	1986	1987
Medicare secondary for older workers	−88	−265	−451	−680	−780
80 percent radiologist/pathologist (medicaid cost of $90 million)	−150	−210	−245	−280	−315
Elimination of nursing differential	−95	−110	−125	−145	−165
Hospital-based physicians	−6	−40	−75	−110	−125
Part B premium as a constant percentage of costs (medicaid cost of $155 million)	−35	−240	−550	−600	−650
Hospital reimbursement changes[1] (medicaid savings of $460 million)	−895	−2,380	−4,610	−3,060	−1,740
Elimination of private room subsidy	−35	−75	−80	−85	−90
Single reimbursement limit for skilled nursing facilities and home health agencies	−20	−53	−62	−69	−77
Elimination of duplicate payments for outpatient services	−75	−135	−175	−210	−255
Audit and medical claims review	−85	−215	−215	−130	0
Temporary delay in periodic interim payments	−750	−100	870	0	0
Reimbursement of assistants at surgery	−24	−63	−113	−170	−195
Prohibition of payments for ineffective drugs	0	0	0	0	0
Medicare payments to HMO's	0	0	0	0	0
Technical corrections	0	0	0	0	0
Hospice care	1	1	−16	−40	0
Coverage of extended care services	0	0	0	0	0
Percentage arrangements (not for hospital-based physicians)	0	−17	−20	−23	−26
Prohibit payment for Hill-Burton care	−15	−17	−20	−23	−26
Prohibiting payment for antiunionization activities	0	0	0	0	0
Lesser of cost or charges	0	0	0	0	0
Extend medicare proficiency exam	0	0	0	0	0
Access to books and records	0	0	0	0	0
Private sector utilization review	0	0	0	0	0
Part B enrollment	(2)	(2)	(2)	(2)	(2)
Subtitle C—Utilization and quality control peer review	0	−15	−20	−20	−25
HI tax for Federal employees (outlay savings)	−116	−160	−174	−195	−207
Total medicare provisions	−2,388	−4,094	−6,081	−5,840	−4,676

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[1] Assumes the "target" reimbursement system is not extended after 3 years.

[2] Negligible cost.

TABLE 11.—CONGRESSIONAL BUDGET OFFICE OUTLAY AND INCOME ESTIMATES FOR LEGISLATIVE CHANGES MADE IN CALENDAR YEAR 1983 (THE SOCIAL SECURITY AMENDMENTS OF 1983)

[In millions of dollars]

	1983	1984	1985	1986	1987	1988
Supplementary medical insurance:						
Medicare premium delay:						
SMI	113	63	−90	−202	−206	−211
HI	1	(1)	(1)	(1)	(1)	(1)
Hospital insurance outlays:						
Pass through mandatory FICA	0	150	224	150	38	7
Prospective payment system	0	0	0	(2)	(2)	(2)
Delay SNF reimbursement limit	20	22	5	3	3	4
Lower return on equity capital	−10	−90	−100	−100	−40	0
DRG Commission	0	[3] 1	[3] 3	[3] 3	[3] 3	[3] 3
Total HI outlay changes	10	83	132	56	4	14
Hospital insurance income:						
SECA tax increase	0	377	1,262	1,434	1,605	1,670
Cover nonprofit organizations	0	216	326	397	480	605
State speedup	0	140	10	10	10	10
Military transfer credits	3,290	−70	−70	−60	−60	−60
Total HI income changes	3,290	663	1,528	1,781	2,035	2,225
Total outlay and income infusions to HI Trust Fund	3,280	580	1,396	1,725	2,031	2,211
Esimated HI Interest Income	44	386	499	634	765	902
Total annual increase in HI Trust Fund	3,324	966	1,895	2,359	2,796	3,113

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[1] Less than $0.5 million.

[2] The budgetary impact cannot be estimated because the law allows the Secretary of HHS, as advised by a panel of experts, nearly unlimited discretion in setting payment rates for inpatient hospital services. Those rates could be set such that aggregate medicare outlays would increase or decrease.

[3] This provision is subject to appropriation. For fiscal year 1984, the appropriation was $1.5 million.

Source: CBO estimates based on January 1983 economic assumptions.

APPENDIX C. NATIONAL HEALTH CARE EXPENDITURES AND EXPENDITURES FOR HEALTH CARE OF THE ELDERLY

NATIONAL HEALTH EXPENDITURES

During 1965 (the year prior to the beginning of the medicare and medicaid programs), national health expenditures were $41.7 billion; by 1982, they were almost eight times that amount. Hospital care expenditures are the largest component of national health expenditures, representing approximately 42 percent of total national health spending in 1982. In terms of per capita spending, $574 was spent for hospital care per capita in 1982 compared to $504 in 1981, an increase of 13.9 percent. (See table 1.)

Of the various sources of payment for personal health care expenditures in 1982, 26.7 percent ($76.6 billion) was paid for by private health insurance, 17.7 percent ($50.9 billion) was paid by medicare, 11.4 percent ($32.8 billion) was paid from other Federal sources (including medicaid), 11.1 percent ($32.0 billion) was paid from State and local sources, and 31.5 percent ($90.4 billion) was paid by direct (out-of-pocket) payments by individuals. The percentage paid for by medicare has increased since 1970, when medicare paid 10.9 percent of personal health care expenditures.

TABLE 1.—NATIONAL HEALTH EXPENDITURES: AGGREGATE AND PER CAPITA AMOUNTS FOR SELECTED CALENDAR YEARS 1965, 1970, 1975, 1980, AND 1982

	1982	1980	1975	1970	1965
	Amount (billions)				
Total	$322.4	$249.0	$132.7	$74.7	$41.7
Percent of GNP	10.5	9.5	8.6	7.5	6.0
Health services and supplies	$308.3	$237.1	$124.3	$69.3	$38.2
Personal health care	286.9	219.4	116.8	65.1	35.8
Hospital care	135.5	100.4	52.1	27.8	13.9
Physicians' services	61.8	46.8	24.9	14.3	8.5
Dentists' services	19.5	15.4	8.2	4.7	2.8
Other professional services	7.1	5.6	2.6	1.6	1.0
Drugs and medical sundries	22.4	19.3	11.9	8.0	5.2
Eyeglasses and appliances	5.7	5.1	3.2	1.9	1.2
Nursing home care	27.3	20.6	10.1	4.7	2.1
Other health services	7.6	6.0	3.7	2.1	1.1
Program administration and net cost of insurance	12.7	10.7	4.4	2.7	1.6
Government public health activities	8.6	7.0	3.2	1.4	.8
Research, and construction of medical facilities	14.1	11.8	8.4	5.4	3.5
Research	5.9	5.3	3.3	2.0	1.5
Construction	8.2	6.5	5.1	3.4	2.0
	Dollar amount per capita				
Total	$1,365.00	$1,075.00	$603.57	$357.90	$210.89
Health services and supplies	1,305.00	1,024.00	565.37	332.02	193.14
Personal health care	1,215.00	947.00	530.97	312.29	180.73
Hospital care	574.00	433.00	236.97	133.05	70.13
Physicians' services	262.00	202.00	113.38	68.74	42.82
Dentists' services	83.00	67.00	37.46	22.77	14.19
Other professional services	30.00	24.00	11.91	7.64	5.22
Drugs and medical sundries	95.00	83.00	54.30	38.33	26.18
Eyeglasses and appliances	24.00	22.00	14.34	9.33	5.93
Nursing home care	116.00	89.00	45.86	22.52	10.47
Other health services	32.00	26.00	16.75	9.92	5.79
Program administration and net cost of insurance	54.00	46.00	20.04	12.92	8.29
Government public health activities	36.00	30.00	14.36	6.81	4.11
Research, and construction of medical facilities	60.00	51.00	38.20	25.88	17.75
Research	25.00	23.00	15.17	9.44	7.66
Construction	35.00	28.00	23.04	16.45	10.09

Source: Gibson, Robert M., Daniel R. Waldo and Katharine R. Levit. National Health Expenditures, 1982. Health Care Financing Review, Fall 1983. p. 7. Also, unpublished data from the Bureau of Data Management and Strategy, Health Care Financing Administration, DHHS.

TABLE 2.—PERSONAL HEALTH CARE EXPENDITURES: AGGREGATE AMOUNTS AND PERCENTAGE DISTRIBUTION FOR SELECTED CALENDAR YEARS 1970, 1975, 1980, AND 1982

	1982	1980	1975	1970
	Amount (billions)			
Total	$286.9	$219.4	$116.8	$65.1
Private	171.2	132.2	70.7	42.6
Private health insurance	76.6	57.0	30.1	15.6
Out-of-pocket	90.4	72.1	39.0	26.0
Philanthropy and in-plant health services	4.2	3.1	1.6	1.0
Public	115.7	87.2	46.1	22.5
Federal	83.7	62.7	31.4	14.5
Medicare	50.9	35.7	15.6	7.1
Medicaid	16.9	13.8	7.6	2.9
Other	15.9	13.2	8.3	4.6
State and local	32.0	24.5	14.7	7.9
Medicaid	15.5	11.8	6.0	2.4
Other	16.5	12.7	8.7	5.6
	Percentage distribution			
Total	100.0	100.0	100.0	100.0
Private	59.7	60.3	60.6	65.5
Private health insurance	26.7	26.0	25.8	24.0
Out-of-pocket	31.5	32.9	33.4	39.9
Philanthropy and in-plant services	1.5	1.4	1.4	1.6
Public	40.3	39.7	39.5	34.5
Federal	29.2	28.6	26.9	22.3
Medicare	17.7	16.3	13.4	10.9
Medicaid	5.9	6.3	6.5	4.4
Other	5.5	6.0	7.1	7.0
State and local	11.2	11.2	12.6	12.2
Medicaid	5.4	5.4	5.1	3.6
Other	5.8	5.8	7.5	8.6

Source: Gibson, Robert M., Daniel R. Waldo, and Katharine R. Levit. National Health Expenditures, 1982. Health Care Financing Review, fall 1983. p. 12.

EXPENDITURES FOR HOSPITAL CARE

National health care expenditures for all hospital care totaled $135.5 billion in 1982, an increase of 14.8 percent over 1981 spending of $118.0 billion. Total hospital inpatient expenditures have been increasing rapidly for many years. From 1970 to 1977, inpatient expenditures in community hospitals grew at an average annual rate of 14.6 percent. After a marked slowing in 1978 and 1979, growth accelerated rapidly and reached an annual rate of 18.4 percent in 1981. During 1982, community inpatient hospital expenditures slowed to an annual increase of 15.6 percent. During the first 9 months of 1983, the rate of increase dropped substantially to 10.9 percent.

This rapid growth in hospital costs has led to substantial increases in Federal spending for medicare and medicaid, of which roughly 60 percent is for hospital care. Federal outlays under these programs for hospital care totaled approximately $42.5 billion in 1982, an increase of $5.3 billion from 1981. For every 1 percent increase in total hospital costs, Federal outlays increase by roughly $400 million.

Under current policies, rapidly rising hospital costs and increasing Federal outlays are likely to continue. For example, projections are that medicare outlays for hospital care will rise at an average annual rate of approximately 12 percent through 1988.

Although the high rates of growth in hospital costs are due primarily to increases in prices faced by hospitals, inflation does not explain the most recent surge in hospital expenditures. In the past year, the cost of hospital care has increased more than the "hospital market basket," which measures changes in the prices of goods purchased by hospitals. This index increased by 11.8 percent in 1981, 9.3 percent in 1982, and 6.3 percent in 1983, whereas medicare inpatient expenditures increased by 21.6 percent, 17.6 percent, and 13.2 percent in those periods respectively.

Two factors explain why the costs of hospital care are growing faster than the prices of goods purchased by hospitals—the number of patients and the volume of services per patient. The number of admissions increased at an average rate of 2.1 percent per year during the 1970–81 period. About half of this is explained by population growth and the aging of the population.

Increases in the volume of services per patient, frequently referred to as "intensity," also explain part of the real growth in hospital expenditures. Each year, the average patient receives a larger number of increasingly sophisticated diagnostic and therapeutic services during a hospital stay. For example, after adjusting for price changes, the average heart attack patient spent 86 percent more for ancillary services in 1971 than in 1964.[1]

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[1] Anne A. Scitovsky, "Changes in the Use of Ancillary Services for 'Common' Illness," in Stuart H. Altman and Robert Blendon, editors, Medical Technology: The Culprit Behind Health Care Cost? (U.S. Department of Health, Education, and Welfare, 1979), p. 41.

TABLE 3.—ANNUAL PERCENTAGE INCREASES IN MEDICARE INPATIENT HOSPITAL EXPENSES, HOSPITAL MARKET BASKET, ADMISSIONS, AND SERVICE INTENSITY, 1972–1989

Calendar year	Inpatient costs	Market basket	Admissions	Net intensity[1]
1972	10.9	5.9	4.6	0.1
1973	16.4	6.5	3.7	5.4
1974	23.6	10.4	15.9	−3.4
1975	22.5	10.9	4.6	5.6
1976	19.0	8.2	3.7	6.0
1977	17.3	7.4	4.4	4.6
1978	14.8	8.2	3.9	2.1
1979	16.4	9.6	4.4	1.7
1980	20.3	11.6	6.9	.8
1981	21.6	11.8	4.9	3.7
1982	17.6	9.3	4.3	3.1
1983	13.2	6.3	2.7	3.7
1984	13.9	6.8	3.0	3.5
1985	11.8	6.1	3.0	2.3
1986	11.7	5.9	3.0	2.4
1987	11.8	5.8	3.0	2.6
1988	11.8	5.8	3.0	2.6
1989	11.3	5.3	3.0	2.6

[1] A residual category of expenditures not accounted for by the input prices or admissions factors. Along with additional resources applied to patients' care, it may include increases or decreases in productivity, changing patterns in use, errors in the measurement of input prices, and time lags between input price increases and expenditure increases.

Sources: 1972–1983 data from the Health Care Financing Administration, "1983 Annual Report of the Board of Trustees of the Federal Hospital Insurance Trust Fund," June 1983. 1984–1989 data are CBO baseline projections.

HEALTH CARE EXPENDITURES OF THE ELDERLY

In calendar year 1981, $255.0 billion was expended nationwide for personal health care services, an increase of 71 percent over the $149.1 billion recorded in 1977. While the elderly accounted for about 11 percent of the population in both years, 33 percent of 1981's total and 29 percent of 1977's total were spent on services for those aged 65 and over—$83.2 billion in 1981 and $43.3 billion in 1977. In 1981, per capita expenditures for this older population were $3,140 compared to $828 for those persons under age 65.

In 1981 and 1977, public spending financed 63.9 percent of the health care bill of the elderly, more than double the 29.9 percent recorded in 1965, the year prior to the implementation of medicare and medicaid.

In 1981, medicare paid 45.3 percent or $1,422 of the per capita bill of $3,140 for the elderly. Other sources of funding included medicaid (13.7 percent or $430 of the per capita bill), other public programs (4.9 percent or $154) and private payments, including private health insurance and out-of-pocket expenses (36.1 percent or $1130). The distribution of the payments for the aged's 1977 per capita health bill of $1,821 were: medicare—$805 (44.2 percent), medicaid—$253 (13.8 percent), other public programs—$107 (5.9 percent), private health insurance—$120 (6.6 percent), out-of-pocket expenses—$530 (29.1 percent), and other—$7 (.4 percent). The $530 in out-of-pocket expense did not include amounts paid for private health insurance premiums or medicare premiums.

TABLE 4.—ESTIMATED AMOUNT, PERCENTAGE DISTRIBUTION, AND PER CAPITA PERSONAL HEALTH CARE EXPENDITURES FOR PERSONS AGED 65 AND OVER, BY TYPE OF EXPENDITURE AND SOURCE OF FUNDS, FOR CALENDAR YEARS 1970 AND 1981

	Amount (in millions)					Percentage distribution					Per capita amount		
			Public					Public					
	Total	Private	Medicare	Medicaid	Other	Total	Private	Medicare	Medicaid	Other	Total	Private	Public
Calendar year 1981													
Total	$83,200	$30,000	$37,700	$11,400	$4,100	100.0	36.1	45.3	13.7	4.9	$3,140	$1,132	$2,008
Hospital care	36,600	5,300	27,100	1,300	2,900	100.0	14.5	74.0	3.6	7.9	1,381	200	1,181
Physicians' services	15,600	6,600	8,500	400	100	100.0	42.3	54.5	2.6	.6	589	249	340
Dentists' services	2,400	2,300		100	(1)	100.0	95.8		4.2		91	87	4
Other professional services	2,000	1,200	700	100	(1)	100.0	60.0	35.0	5.0		75	45	30
Drugs and drug sundries	5,100	4,200		800	100	100.0	82.4		15.7	1.9	192	158	34
Eyeglasses and appliances	1,000	600	400		(1)	100.0	60.0	40.0			38	23	15
Nursing-home care	19,400	9,600	400	8,700	700	100.0	49.5	2.1	44.8	3.6	732	362	370
Other health services	1,000	100	500	100	300	100.0	10.0	50.0	10.0	30.0	38	4	34
Calendar year 1970													
Total	17,270	6,694	7,099	1,894	1,584	100.0	38.8	41.1	11.0	9.2	854	331	523
Hospital care	7,054	806	4,974	405	869	100.0	11.4	70.5	5.7	12.3	349	40	309
Physicians' services	3,030	1,166	1,718	115	31	100.0	38.5	56.7	3.8	1.0	150	58	92
Dentists' services	413	386		19	9	100.0	93.5		4.6	2.2	20	19	1
Other professional services	389	285	79	22	3	100.0	73.3	20.3	5.7	.8	19	14	5
Drugs and drug sundries	1,732	1,524		190	18	100.0	88.0		11.0	1.0	86	75	10
Eyeglasses and appliances	304	255	45		4	100.0	83.9	14.8		1.3	15	13	2
Nursing-home care	4,144	2,255	265	1,112	512	100.0	54.4	6.4	26.8	12.4	205	111	93
Other health services	204	18	17	31	138	100.0	8.8	8.3	15.2	67.7	10	1	9

[1] Less than $50 million.

Source: Fisher, Charles R. Differences by Age Groups in Health Care Spending. Health Care Financing Review, Spring 1980, p. 89. Also, unpublished data from the Bureau of Data Management and Strategy, Health Care Financing Administration, DHHS.

DISTRIBUTION OF PER RECIPIENT MEDICARE EXPENDITURES AND DEDUCTIBLE AND COPAYMENT AMOUNTS

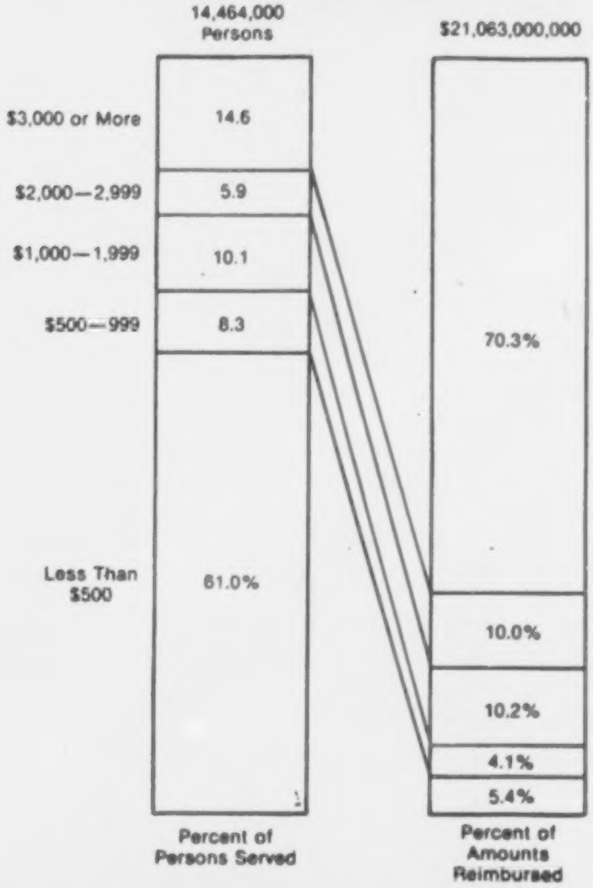
A significant proportion of medicare beneficiaries receive no reimbursement for medicare services in a given year. Under the part A program, for example, in 1983, there were 29.1 million beneficiaries with hospital insurance protection. Of this number only 7.4 million (25.4 percent) received any reimbursed services under part A of the program. Thus, 21.7 million or 74.6 percent of beneficiaries eligible under part A received no reimbursed service.

Under part B of the program, for example, in 1983 there were 28.7 million beneficiaries with part B coverage. Of this total, 19.6 million (68.2 percent) received reimbursed services. Thus, 9.1 million or 31.8 percent of eligible beneficiaries under the part B program received no reimbursed services under the program.

Medicare per capita expenditure amounts for the aged do not reflect the considerable variations which exist. In 1978, 61 percent of aged persons receiving services reimbursed under parts A and/or B had medicare reimbursements totaling less than $500; expenditures for these persons accounted for only 5.4 percent of the total amounts reimbursed. On the other hand, 14.6 percent of persons receiving services under parts A and/or B had medicare reimbursements totaling over $3,000; expenditures for these persons accounted for 70.3 percent of the total (see figure 1).

In 1981, 58 percent of aged persons had medicare reimbursements totaling less than $500; expenditures for these persons accounted for 4.1 percent of the total amounts reimbursed. Some 19 percent had medicare reimbursements totaling over $3,000; expenditures for these persons accounted for 79 percent of the total (see table 5).

FIGURE 1
Percent Distribution of Aged Persons
Served and Amounts Reimbursed Under Hospital Insurance
and/or Supplementary Medical Insurance by Amounts Reimbursed, 1978



Source: DHHS, HCFA, Medicare: Summary of Use and Reimbursement by Person, 1978, Health Care Financing Notes, HCFA Pub. No. 03116, August 1981, p. 15.

The following table provides additional information on the distribution of medicare expenditures for the aged.

TABLE 5.—NUMBER AND PERCENTAGE DISTRIBUTION OF AGED PERSONS RECEIVING SERVICES AND AMOUNTS REIMBURSED UNDER HOSPITAL INSURANCE AND/OR SUPPLEMENTARY MEDICAL INSURANCE BY AMOUNTS REIMBURSED, 1981

Reimbursement amounts	Persons receiving services		Reimbursements	
	Number	Percent	Dollars (thousands)	Percent
Less than $100	4,694,840	27.5	213,716	0.6
$100 to $299	3,801,360	22.3	684,088	2.0
$300 to $499	1,363,100	8.0	527,644	1.5
$500 to $999	1,425,980	8.4	1,018,643	2.9
$1,000 to $1,499	825,540	4.8	1,023,022	3.0
$1,500 to $1,999	678,360	4.0	1,181,282	3.4
$2,000 to $2,999	1,022,040	6.0	2,518,154	7.3
$3,000 to $4,999	1,172,940	6.9	4,568,893	13.2
$5,000 to $7,499	785,060	4.6	4,803,897	13.9
$7,500 to $9,999	443,200	2.6	3,831,473	11.1
$10,000 to $14,999	440,120	2.6	5,339,501	15.5
$15,000 or more	383,780	2.2	8,779,467	25.5
Total	17,036,320	100.0	34,489,780	100.0

Note: Totals may not add due to rounding.

Source: DHHS,HCFA. Annual Medicare Program Statistics. HCPA Pub. No. 03153, August 1983, pp. 224 and 227.

The preceding discussion has focused on the distribution of medicare reimbursements. Similar data is also available on the liability of medicare beneficiaries, defined as the deductible and coinsurance amounts. It does not include liability for medical service not covered by medicare or for any liability due to unassigned medicare claims. In 1980, 75.2 percent of aged persons enrolled in both parts A and B had less than $200 in liability for such expenses. On the other hand, enrollees at the high end of the scale were liable for most of the cost sharing owed.

TABLE 6.—DISTRIBUTION OF MEDICARE ENROLLEES AGED 65 AND DISTRIBUTION OF PART A AND PART B COMBINED LIABILITY, 1980 [1]

Liability category	Distribution of enrollee		Distribution of liability	
	Numbers	Percent	Dollars (thousands)	Percent
Total	25,104,680	100.0	4,513,898	100.0
0 to $69	13,107,540	52.2	473,663	10.5
$70 to $119	3,956,460	15.8	366,081	8.1
$120 to $169	1,428,680	5.7	199,859	4.4
$170 to $179	148,200	.6	25,841	.6
$180 to $189	122,200	.5	22,526	.5
$190 to $199	112,960	.4	21,935	.5
$200 to $209	95,100	.4	19,439	.4

TABLE 6.—DISTRIBUTION OF MEDICARE ENROLLEES AGED 65 AND DISTRIBUTION OF PART A AND PART B COMBINED LIABILITY, 1980 [1]—Continued

Liability category	Distribution of enrollee		Distribution of liability	
	Numbers	Percent	Dollars (thousands)	Percent
$210 to $219	152,840	.6	32,543	.7
$220 to $229	97,400	.4	21,872	.5
$230 to $269	582,120	2.3	146,445	3.2
$270 to $469	2,770,780	11.0	973,879	21.6
$470 to $969	1,979,640	7.9	1,273,110	28.2
$970 to $1,469	341,040	1.4	396,540	8.8
$1,470 and over	209,720	.8	540,166	12.0

[1] Tables adjusted to take into account the missing Part B deductions, estimated to be about $30 per enrollee in 1980.

Source: Gornick, Marian, James Beebe, and Ronald Prihoda. Options for Change under Medicare: Impact of a Cap on Catastrophic Illness Expense. Health Care Financing Review, fall 1983, p. 37.

EXPENDITURES FOR HOSPITAL CARE BY THE ELDERLY

Medicare is now paying a slightly larger proportion of the hospital bills for the aged. In 1970, $7.0 billion was spent on hospital care for persons 65 and over. Of this amount, the medicare program paid $5.0 billion, or 70.5 percent. In 1981, hospital care expenditures for the aged were $36.6 billion; the medicare program paid $27.1 billion or 74.0 percent of all hospital care expenditures for the aged. (See table 4.)

Approximately two-thirds (67.5 percent) of all medicare benefits in 1981 went for hospital care ($27.8 billion out of a benefit total of $41.2 billion). This percentage is slightly lower than in 1970, when 71.8 percent of medicare benefits went for hospital care ($5.1 billion out of a benefit total of $7.1 billion).

Total medicare reimbursement to short-stay hospitals more than quadrupled from 1970 to 1981, increasing from $4.5 billion to $24.7 billion, an average annual increase of approximately 15 percent. During this period, the average reimbursement to short-stay hospitals per discharged medicare enrollee rose from $763 to $2,434, despite a decrease from 13.1 days to 10.3 days in the average length of stay for each discharged enrollee. The average reimbursement per hospital day covered by the program increased from $60 in 1970 to $241 in 1981. The increase in medicare short-stay hospital reimbursements between 1970 to 1981 was primarily a function of the increased cost of hospital care as measured by reimbursement per covered day. (See table 7.)

TABLE 7.—USE OF SHORT STAY HOSPITAL SERVICES BY MEDICARE HOSPITAL INSURANCE (HI) BENEFICIARIES: NUMBER OF HI ENROLLEES AND DISCHARGES, DAYS OF CARE, CHARGES, AND REIMBURSEMENT, CALENDAR YEARS, 1970–81[1]

Year	Number of enrollees	Number of discharges	Mean length of stay (in days)		Days of care			Total charges			Reimbursement		
			Total	Covered	Total number (thousands)	Covered		Amount (thousands)	Per discharge	Per day	Amount (thousands)	Per discharge	Percent of total charges
			Per discharge	Per discharge		Number (thousands)	Percent of total days						
1970[2]	20,361,152	5,920,320	13.1	12.8	77,652	75,914	97.7	5,908,690	998	76	4,517,654	763	76.4
1971[2]	20,742,250	6,111,835	12.7	12.3	77,395	75,313	97.3	6,733,494	1,102	87	5,129,245	839	76.1
1972[2]	21,115,261	6,495,050	12.3	11.8	79,809	76,788	96.2	7,560,301	1,164	95	5,709,189	879	75.5
1973[2]	23,301,082	6,861,125	11.9	11.3	81,380	77,663	95.4	8,269,144	1,207	102	6,253,014	911	75.6
1974	23,924,145	7,039,345	11.6	11.3	81,766	79,798	97.0	9,779,034	1,389	120	7,346,544	1,044	75.0
1975	24,640,497	7,443,425	11.4	11.2	84,637	83,179	98.0	12,385,397	1,664	146	9,262,624	1,244	74.0
1976	25,312,575	8,361,720	11.3	11.1	94,169	92,578	98.0	16,094,865	1,925	171	11,980,874	1,433	74.0
1977	26,093,919	8,818,735	11.0	10.8	97,025	95,298	98.0	19,205,304	2,178	198	13,974,943	1,585	72.0
1978	26,777,263	9,188,140	10.8	10.6	99,301	97,553	98.0	22,368,244	2,434	225	16,005,245	1,742	71.0
1979	27,459,157	9,623,290	10.7	10.4	102,694	100,271	97.0	26,042,574	2,706	254	18,410,379	1,913	70.0
1980	28,066,894	10,234,980	10.6	10.3	108,531	105,932	97.0	31,792,888	3,106	293	21,967,644	2,146	69.0
1981	28,589,504	10,142,365	10.3	10.1	104,929	102,337	97.0	32,655,713	3,220	311	24,689,269	2,434	75.0

[1] 1970–73 data based on bills processed through December 1980; 1974–1981 data from bills processed through June 1982.

[2] Prior to 1973, services were covered only for beneficiaries aged 65 and over. Effective July 1, 1973, HI benefits were extended to persons under 65 years of age who were entitled to cash benefits for not less than 24 consecutive months under the disability insurance program and to persons with End-Stage Renal Disease (ESRD).

Source: Unpublished data provided by the Bureau of Data Management and Strategy, HCFA, from Medicare Health Insurance Master Files.

EXPENDITURES FOR PHYSICIAN SERVICES BY THE ELDERLY

In 1981, physician expenditures for the aged totaled $15.6 billion, an increase of $8 billion or 105 percent over the $7.6 billion recorded in 1977. The 1981 figure represented 18.7 percent of total personal health care expenditures for the elderly and the third largest item of health care expense for this population group.

Public spending, primarily medicare, accounts for about 58 percent of total physician expenditures for the elderly. Private spending represents approximately 42 percent of the total.

TABLE 8.—PER CAPITA EXPENDITURES FOR PHYSICIANS' SERVICES FOR THE AGED BY SOURCE OF FUNDS AND PERCENTAGE DISTRIBUTION, CALENDAR YEAR 1981

Source of funds	Per capita amount	Percentage distribution
Total	$589	100.0
Public funds	340	57.7
Medicare	321	54.5
Medicaid	15	2.6
Other public programs	4	.6
Private funds	249	42.3

Source: Unpublished data from the Bureau of Data Management and Strategy, Health Care Financing Administration, DHHS.

The percentage of total physician services paid for by medicare has declined slightly since the early years of the program from 57.3 percent in fiscal year 1968 to 54.5 percent in calendar year 1981. At the same time there has been a significant increase in reasonable charge reductions for unassigned medicare claims; the average amount reduced per approved unassigned claim was $25.78 in calendar year 1981. These reductions can become an out-of-pocket expense for beneficiaries.

SUPPLY OF HOSPITAL BEDS AND PHYSICIANS

The national supply of community hospital beds per 1,000 population has steadily increased since the 1940's, reaching a peak of 4.6 beds per 1,000 population in 1975. By 1981, the number of beds had dropped to 4.4 per 1,000 population. Similar trends can be seen in the nine census regions, except for New England, which has seen a reduction since 1940 from 4.4 beds to 4.1 beds per 1,000 population in 1981, and the Pacific region, where the reduction has been from 4.1 beds in 1940 to 3.4 in 1981. The area experiencing the largest increase has been the East South Central, where beds increased from 1.7 per 1,000 population in 1940 to 5–1 in 1981 (see table 9).

TABLE 9.—HOSPITAL BEDS PER 1,000 POPULATION, ACCORDING TO GEOGRAPHIC DIVISION: UNITED STATES, SELECTED YEARS 1940–81

[Data are based on reporting by facilities]

Geographic division	Year						
	1940 [1]	1950 [1]	1960 [2]	1970	1975	1980	1981
United States	3.2	3.3	3.6	4.3	4.6	4.5	4.4
New England	4.4	4.2	3.9	4.1	4.2	4.1	4.1
Middle Atlantic	3.9	3.8	4.0	4.4	4.6	4.6	4.6
East North Central	3.2	3.2	3.6	4.4	4.7	4.7	4.7
West North Central	3.1	3.7	4.3	5.7	5.8	5.8	5.8
South Atlantic	2.5	2.8	3.3	4.0	4.3	4.5	4.4
East South Central	1.7	2.1	3.0	4.4	4.9	5.1	5.1
West South Central	2.1	2.7	3.3	4.3	4.7	4.7	4.5
Mountain	3.6	3.8	3.5	4.3	4.0	3.8	3.7
Pacific	4.1	3.2	3.1	3.7	3.9	3.5	3.4

[1] 1940 and 1950 data are estimated based on published figures.

[2] 1960 includes hospital units of institutions.

Note: Hospitals include all non-Federal short-stay hospitals classified by the American Hospital Association according to one of the following services: general medical and surgical; obstetrics and gynecology; eye, ear, nose, and throat; rehabilitation; orthopedic; other specialty; children's general; children's eye, ear, nose, and throat; children's rehabilitation; children's orthopedic; and children's other specialty.

Source: Health. United States, 1982. U.S. Department of Health and Human Resources. DHHS Publication No. (PHS) 83–1232, Table 58, pp. 120 and 121. Data sources include: American Medical Association: Hospital service in the United States. JAMA 116(11): 1055–1144, 1941, and 146(2): 109–184, 1951. (Copyright 1941 and 1951: Used with the permission of the American Medical Association.); American Hospital Association: Hospitals. JAHA 35(15): 383–430, Aug. 1, 1961. (Copyright 1961: Used with the permission of the American Hospital Association.); Division of Health Care Statistics, National Center for Health Statistics: Data from the National Master Facility Inventory; U.S. Bureau of the Census: Current Population Reports. Series P–25, Nos. 72, 304, 460, 640, 642, 868, 876, and 911. Washington. U.S. Government Printing Office, 1953, 1965, 1971, 1976, 1979, 1980, and 1982; Unpublished data.

The number of active physicians in the country has increased from 279,212 in 1970 to 419,870 in 1981. This growth rate exceeded the rate at which the population of the Nation grew during the decade. As table 10 below indicates, the ratio of physicians-to-population increased from 137 physicians per 100,000 population in 1970 to 184 physicians per 100,000 population in 1981. This table also indicates variations in the supply of physicians relative to population across the country. For example, while the Northeast in 1981 had 232 physicians per 100,000 population, the South had 160 physicians per 100,000 population.

TABLE 10.—NUMBER OF ACTIVE NON-FEDERAL PHYSICIANS (M.D.'s) PER 100,000 POPULATION, BY REGION, DIVISION, AND STATE: DECEMBER 31, 1970, AND ADJUSTED DATA FOR 1975 AND 1981

Geographic area	1970	1975[1]	1981[1]
United States[2]	137.0	155.9	184.4
Northeast	178.7	197.0	231.9
New England	172.3	199.3	241.5
Connecticut	178.1	206.6	249.4
Maine	97.7	121.7	149.2
Massachusetts	193.6	221.7	275.7
New Hampshire	124.7	146.3	164.7
Rhode Island	142.5	175.2	209.1
Vermont	168.9	189.0	212.0
Middle Atlantic	180.8	196.2	228.7
New Jersey	135.8	162.0	192.8
New York	223.1	235.1	269.1
Pennsylvania	142.9	158.0	191.1
North Central	118.2	135.8	162.6
East North Central	119.5	137.1	164.2
Illinois	129.9	155.6	185.5
Indiana	95.8	108.9	129.3
Michigan	116.7	134.7	160.5
Ohio	125.3	137.1	164.5
Wisconsin	112.9	128.8	115.0
West North Central	115.2	132.8	158.8
Iowa	96.6	105.2	126.8
Kansas	107.9	128.0	155.7
Minnesota	141.8	162.2	190.1
Missouri	120.3	141.3	164.8
Nebraska	106.1	124.2	148.4
North Dakota	87.7	104.1	137.0
South Dakota	75.5	82.7	116.6
South	111.5	133.0	160.1
South Atlantic	122.1	147.8	178.2
Delaware	124.0	139.7	166.8
District of Columbia	364.5	435.5	533.9
Florida	123.9	155.2	174.1
Georgia	100.3	118.5	144.3
Maryland	170.5	206.2	268.7
North Carolina	102.5	123.5	152.9
South Carolina	84.5	106.0	135.0
Virginia	112.5	136.4	176.6
West Virginia	97.7	120.3	137.1
East South Central	94.8	112.5	136.0
Alabama	83.6	100.1	127.2
Kentucky	96.4	116.5	136.3
Mississippi	78.4	87.4	108.2
Tennessee	112.7	134.1	158.4

TABLE 10.—NUMBER OF ACTIVE NON-FEDERAL PHYSICIANS (M.D.'s) PER 100,000 POPULATION, BY REGION, DIVISION, AND STATE: DECEMBER 31, 1970, AND ADJUSTED DATA FOR 1975 AND 1981—Continued

Geographic area	1970	1975[1]	1981[1]
West South Central	105.5	122.2	146.8
Arkansas	84.6	95.2	122 6
Louisiana	113.6	127.0	156.6
Oklahoma	94.4	108.0	127.5
Texas	109.1	128.6	151.8
West	154.8	174.3	202.8
Mountain	124.3	142.6	163.0
Arizona	123.4	158.1	176.5
Colorado	163.0	172.4	194.9
Idaho	87.0	95.1	107.0
Montana	97.4	111.0	131.5
Nevada	102.2	116.8	142.4
New Mexico	102.5	121.2	152.8
Utah	128.8	149.5	163.2
Wyoming	91.0	99.7	115.0
Pacific	164.4	185.0	217.1
Alaska	65.2	91.5	127.5
California	175.0	195.6	229.4
Hawaii	137.5	159.6	207.6
Oregon	133.3	159.8	181.8
Washington	136.4	154.0	179.4

[1] Numbers of active non-Federal physicians are adjusted for 1975 and 1981 to include about 90 percent of those not classified as to status or activity by the American Medical Association.

[2] Excludes counts of physicians in U.S. Possessions and with unknown addresses.

Source: Supply and Characteristics of Selected Health Personnel, U.S. Department of Health and Human Services, Bureau of Health Professions, DHHS Pub. No. (HRA) 81-20, June 1981, p. 23, and unpublished data from the Bureau of Health Professions, based on data from the American Medical Association, Division of Survey and Data Resources.

The number of physicians in the country is expected to continue to grow at a faster rate than population. Department of Health and Human Services' projections of physicians-to-population ratios indicate that there will be 215.6 active physicians (M.D.'s) per 100,000 population in 1985, 231.3 in 1990, 244.2 in 1995, and 255.7 in 2000.

HEALTH INSURANCE COVERAGE OF THE ELDERLY

According to data collected in the March 1983 Current Population Survey, 98.6 percent of persons age 65 and over (or approximately 25 million persons) had medical coverage through either a private source (such as an exployer group health plan or other privately purchased health insurance) or through a public program (such as medicare, medicaid, CHAMPUS, Veterans Administration, or military health care). As shown in table 11 below, most persons age 65 and over (95.9 percent) are covered under the Medicare program, 52 percent are covered under private health insurance plans (either employer group plans or other health insurance) and 11 percent are covered by medicaid. The nonpoor aged had higher reported rates of coverage for all forms of health coverage, except for medicaid, than did the aged poor.

TABLE 11.—MEDICAL COVERAGE FOR THE AGED, BY POVERTY STATUS, 1982

	Total	Poor	Nonpoor
Persons age 65 and over (number in thousands)	(25,738)	(3,751)	(21,986)
Total	100.0	100.0	100.0
No medical coverage	1.4	4.1	.9
Any medical coverage	98.6	95.9	99.1
Employer group health	7.6	.6	8.8
Medicare	95.9	94.6	96.2
Medicaid	11.0	32.7	7.3
CHAMPUS, VA, or military health care	2.7	1.1	3.0
Other health insurance	44.7	26.0	47.9

Source: March 1983 Current Population Survey (CPS). Table prepared by CRS.

According to data collected by the Health Insurance Association of America, at the end of 1981, 15.6 million persons over age 65—five out of six in the 65-and-older population—were covered by private health insurance which supplemented the benefits available through the medicare program. Some 7.2 million of the elderly were protected by hospital coverage issued through private insurance companies (excluding Blue Cross/Blue Shield), including 3.1 million with hospital indemnity coverage and 4.1 million with supplemental coverage for medicare part A. At the same time, 2.7 million persons over age 65 had coverage through insurance companies to supplement medicare part B (surgical/medical).

The table below shows the number of persons aged 65 and over with various types of coverage.

Hospital indemnity	3,078,000
Medicare part A—hospital copayment coverage	4,097,000
Total	7,175,000
Medicare part B—surgical copayment coverage	2,655,000
Prescribed drugs and medicines	1,319,000
Nursing home care	2,177,000
Private duty nurse	1,559,000

Source: Source Book of Health Insurance Data, 1982–1983, Health Insurance Association of America, Washington, D.C. pp. 8–9.

APPENDIX D. REIMBURSEMENT FOR HOSPITALS AND PHYSICIANS UNDER MEDICARE

REIMBURSEMENT TO HOSPITALS [1]

Before the passage of Public Law 98-21 (the Social Security Amendments of 1983), the medicare program reimbursed hospitals according to the reasonable costs they incurred in providing services to medicare beneficiaries. Because the actual reasonable costs could not be determined until after the hospital had provided the services and reported its costs to the medicare program, this method of reimbursement was known as "retrospective cost-based reimbursement." The law placed certain limits on routine operating costs recognized as reasonable. These were referred to as "section 223 limits" (which referred to the provision of Public Law 92-603 which authorized their establishment). Public Law 97-248, the Tax Equity and Fiscal Responsibility Act of 1982 (commonly referred to as TEFRA) expanded previously existing limits to include all other inpatient hospital operating costs. Further, it established a new 3-year medicare ceiling (or target rate) on the allowable annual rate of increase in operating costs per case for inpatient hospital services.

TEFRA also required that HHS develop proposals for the prospective payment of hospitals under medicare. The proposal from HHS was presented to the Congress at the end of 1982 and became the basis for Public Law 98-21. The following is a description of the major reimbursement provisions of Public Law 98-21 as implemented by interim final regulations issued September 1, 1983, and revised final regulations issued January 3, 1984.

GENERAL SUMMARY

Effective for hospital cost reporting periods that begin on or after October 1, 1983, medicare payment for hospital inpatient services will be made according to a new prospective payment system, rather than on a reasonable-cost basis. Medicare payments will be made at predetermined, specific rates which represent the average cost, nationwide, of treating a medicare patient according to his or her diagnosis. The classification system used to group hospital inpatients according to their diagnoses is known as diagnosis related groups (DRG's). The law provides for a 3-year transition period during which a declining portion of the total prospective payment will be based on a hospital's historical reasonable costs and an increasing portion will be based on a combination of regional and national DRG rates. In the fourth year of the program and thereafter, medicare payments will be determined totally under a national

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[1] This section draws heavily from two Congressional Research Service reports "Prospective Payments for Medicare Inpatient Hospital Services" and "How Medicare Pays Doctors."

DRG payment methodology. If a hospital can treat a patient for less than the payment amount, it can keep the savings. If the treatment costs more, the hospital must absorb the loss. A hospital is prohibited from charging medicare beneficiaries any amounts (except for deductibles, coinsurance amounts, and services not covered by medicare) which represent any difference between the hospital's cost of providing covered care and the medicare DRG payment amount. Under the regulations, the hospital may charge for medically unnecessary services and custodial care furnished to beneficiaries who elect to stay in the hospital at a time beginning more than 2 days after the beneficiary has been notified that inpatient hospital care is no longer required.

Certain hospital costs are excluded from the prospective payment system and are paid on a reasonable cost basis. In addition, certain hospitals are excluded from the new system and are reimbursed on a reasonable cost basis, subject to the rate of increase limits provided in TEFRA. Authority is provided for States to establish their own medicare hospital payment systems if they meet certain Federal requirements.

PROSPECTIVE PAYMENT SYSTEM

Unless excluded from the prospective payment system, all medicare participating hospitals will be paid a specific amount for inpatient services provided to medicare beneficiaries based on the patient's classification into one of 468 DRG's. Separate DRG rates will apply to hospitals located in urban or rural areas of the country (urban rates are higher than rural rates). In addition, the DRG rates will be adjusted for area differences in hospitals wage levels compared to the national average hospital wage level.

Effective date/transition period

Application of the DRG payment rates (urban and rural) will be phased in over a 3-year transition period, starting with each hospital's first cost reporting period which begins on or after October 1, 1983. During the transition period, a hospital's payment rate will be a combination of the DRG payment rates and a hospital's historical costs; in addition, during the transition, the DRG portion of the rate will be based on a combination of national rates and regional rates for each of the nine census regions of the country. Thus, during the first year of the program, 25 percent of the prospective payment will be based on regional DRG rates and 75 percent will be based on each hospital's cost base. In the second year, 50 percent of the payment will be based on a combination of national and regional DRG rates (25 percent national 75 percent regional) and 50 percent will be based on each hospital's cost base. In the third year, 75 percent of the payment will be based on a combination of national and regional DRG rates (50 percent national, 50 percent regional) and 25 percent will be based on each hospital's cost base. In the fourth year, 100 percent of the payment will be determined under the national DRG payment methodology.

DRG payment levels and updating

The payment rates for each DRG are derived from an average of historical (1981) medicare cost data for each hospital. The rates are updated through fiscal year 1983 by the estimated actual rate of increase in hospital costs nationally. The rates will be further updated for fiscal years 1984-85 by the estimated annual increases in a market basket index representing the cost of goods and services purchased by hospitals, plus 1 percentage point.

The market basket is defined in table 1. This is a uniform basket for all hospitals and yields one price inflator for all hospitals in a given accounting year. The relative importance of the different categories of cost changes periodically.

TABLE 1.—HOSPITAL PROSPECTIVE REIMBURSEMENT INPUT PRICE INDEX (THE "MARKET BASKET")

Category of costs [1]	Relative importance, 1981 [2]	Price variable used
1. Wages and salaries	56.53	Percentage change is average hourly earnings of hospital industry workers (SIC 806).
2. Employee benefits	8.16	Percentage change in supplements to wages and salaries per worker in nonagricultural establishments.
3. Professional fees, other (legal, auditing, consulting, etc.).	0.56	Percentage change in hourly earnings index for production or nonsupervisory workers on private nonagricultural payrolls, total private.
4. Malpractice insurance	2.12	Percentage change in hospital malpractice insurance premiums.
5. Food	3.32	(a) Percentage change in food and beverages component of Consumer Price Index, All Urban (relative importance, 1.71). (b) Percentage change in processed foods and feeds component of Producer Price Index (relative importance, 1.61).
6. Fuel and other utilities	3.52	(a) Percentage change in implicit price deflator—consumption of fuel oil and coal (derived from fuel oil component of Consumer Price Index) (relative importance, 1.73). (b) Percentage change in implicit price deflator—consumption of electricity (derived from electricity component of Consumer Price Index) (relative importance, 0.80). (c) Percentage change in implicit price deflator for natural gas, derived from utility (piped) gas component of Consumer Price Index (relative importance, 0.67). (d) Percentage change in water and sewerage maintenance component of Consumer Price Index (relative importance, 0.32).

TABLE 1.—HOSPITAL PROSPECTIVE REIMBURSEMENT INPUT PRICE INDEX (THE "MARKET BASKET")—Continued

Category of costs [1]	Relative importance, 1981 [2]	Price variable used
7. Drugs	2.61	Percentage change in pharmaceutical preparations, ethical component of Producer Price Index.
8. Chemicals and cleaning products.	2.17	Percentage change in chemicals and allied products components of Producer Price Index.
9. Surgical and medical instruments and supplies.	2.09	Percentage change in special industry machinery and equipment component of Producer Price Index.
10. Rubber and miscellaneous plastics.	1.73	Percentage change in rubber and plastic products component of Producer Price Index.
11. Business travel and motor freight.	1.84	Percentage change in transportation component of Consumer Price Index. All Urban.
12. Apparel and textiles	1.45	Percentage change in textile products and apparel component of Producer Price Index.
13. Business services	5.00	Percentage change in services component of Consumer Price Index. All Urban.
14. All other miscellaneous expenses. [3]	8.90	Percentage change of Consumer Price Index for all items. All Urban.
Total	100.00	

[1] Costs not within the scope of the limits (i.e. capital, medical education, and medical professional fees) were excluded in deriving the input price index.

[2] A Laspeyres price index was constructed using 1977 base value weights and the price variables indicated in the table. Base value weights (cost shares) were derived from special studies by the Health Care Financing Administration using primarily data from the American Hospital Association and the Interindustry Economics Division of the Bureau of Economic Analysis, U.S. Department of Commerce. In 1977 each price variable has an index value of 100.00. The "relative importance" changes over time in accordance with price changes for each variable. Cost categories with relatively higher price increases get higher relative importance values and vice versa. For an explanation of the basic methodology used, see Freeland, Mark S., Anderson, Gerard, and Schendler, Carol Ellen, "National Hospital Input Price Index," Health Care Financing Review, Summer 1979, pp. 37-61.

[3] This is a residual category of costs not included in the 13 specific categories above. It consists primarily of miscellaneous and unallocated items.

Source: 48 F.R. 39845-39846, Sept. 1, 1983.

For each fiscal year beginning with fiscal year 1986, the Secretary is required to determine an appropriate increase to the DRG payments, taking into consideration the recommendations of a newly established Prospective Payment Assessment Commission. For fiscal years 1984 and 1985, the DRG rates will be adjusted so that the total payments under the prospective system equal the payments which would have been made under the reasonable cost reimbursement provisions of prior law as limited by the target rate of increase provisions established by TEFRA (this requirement is known as "budget neutrality").

In addition to determining yearly increases in the DRG payment rates for fiscal year 1986 and thereafter, the Secretary is also required by Public Law 98-21 to adjust the DRG classification and weighting factors in fiscal year 1986 and at least every 4 years thereafter to reflect changes in treatment patterns, technology, and other factors which may change the relative use of hospital resources.

Additional payment amounts

In addition to the prospective payment rates per discharge, medicare payments will be made for the following items or services:

Outliers

Additional amounts will be paid to hospitals for atypical cases (known as "outliers") which have either extremely long lengths of stay or extraordinarily high costs compared to most discharges classified in the same DRG. The law requires that total outlier payments to hospitals covered by the system represent no less than 5 percent and no more than 6 percent of the total estimated medicare prospective payments for the fiscal year. The regulations establish fiscal year 1984 outlier payments at 6 percent of the estimated fiscal year 1984 total DRG payments by the medicare program.

Payments on a reasonable cost basis

Costs for certain items are excluded from the prospective payment system and thus are not included in the prospective payment rates. Medicare will pay for its share of the following such costs separately from the DRG payment system, according to the former reasonable cost-based system.

Capital-related costs.—The law provides that capital-related costs (including depreciation, leases and rentals, interest, and a return on equity for proprietary hospitals) are to be excluded from the prospective payment system until October 1, 1986. The Secretary is required to report to Congress within 18 months of enactment on methods and proposals by which capital costs can be included in the prospective payment rates. The law also prohibits medicare payment for capital costs after September 30, 1986, unless a State has a capital expenditure review agreement with the Secretary (under section 1122 of the Social Security Act) and the State has recommended approval of the specific capital expenditure.

Direct medical education costs.—The direct costs (including overhead costs) of approved medical education programs are excluded from the prospective payment system and will continue to be reimbursed on a reasonable cost basis. Such approved educational activities are formally organized or planned programs of study (as distinguished from on-the-job or similar work-learning programs) engaged in by the provider for the staff members to enhance the quality of patient care. Where required, the activity must be licensed by State law. If no State licensing is required, approval must be obtained from the recognized national professional organization for the particular activity. Costs of interns and residents hired to replace anesthetists are not included.

Indirect medical education costs

Additional payments will be made to hospitals under the prospective system for the indirect costs of approved medical education programs. Such payments will equal a certain percentage of a hospital's total yearly revenues from the Federal portion of the prospective payments, adjusted by a factor using the hospital's ratio of interns and residents to beds as a surrogate to measure the relative intensity of the hospital's teaching activity.

Calculation of payment amount

As noted above, during the fiscal year 1984–86 period, payments to an individual hospital for a specific hospital stay will be based on a combination of the appropriate DRG rate and the hospital's specific rate (based on its own cost experience).

Determination of DRG portion of payment

For fiscal year 1984, 25 percent of the payment is DRG-based. In this year, the DRG portion is based solely on regional, urban, and rural rates. Over the 3-year transition period, the program will move toward uniform national urban and rural rates, phasing out regional differences.

For fiscal year 1984, the Secretary has promulgated 18 "average adjusted standardized amounts" per medicare discharge (i.e., an urban amount and a rural amount for each of the nine census regions of the country). These consist of a labor-related and nonlabor-related component.

TABLE 2.—AVERAGE ADJUSTED STANDARDIZED AMOUNTS FOR FISCAL YEAR 1984 BY CENSUS REGION

[In dollars]

Census region	Urban regional rates			Rural regional rates		
	Total	Labor-related	Nonlabor	Total	Labor-Related	Nonlabor
1. New England (CT, ME, MA, NH, RI, VT)	2,968.07	2,332.56	635.51	2,476.45	1,994.31	482.14
2. Middle Atlantic (PA, NJ, NY)	2,724.91	2,096.87	628.04	2,473.94	1,984.97	488.97
3. South Atlantic (DE, DC, FL, GA, MD, NC, SC, VA, WV)	2,765.40	2,183.42	581.98	2,202.34	1,796.04	406.30
4. East North Central (IL, IN, MI, OH, WS)	3,008.21	2,330.77	677.44	2,406.02	1,950.90	455.12
5. East South Central (AL, KY, MS, TN)	2,500.31	1,982.32	517.99	2,191.90	1,811.73	380.17
6. West North Central (IA, KS, MN, MO, NE, ND, SD)	2,876.20	2,273.55	602.65	2,211.22	1,820.63	390.59
7. West South Central (AR, LA, OK, TX)	2,707.05	2,137.03	570.02	2,133.14	1,754.37	378.77

TABLE 2.—AVERAGE ADJUSTED STANDARDIZED AMOUNTS FOR FISCAL YEAR 1984 BY CENSUS REGION—Continued

[In dollars]

Census region	Urban regional rates			Rural regional rates		
	Total	Labor-related	Nonlabor	Total	Labor-Related	Nonlabor
8. Mountain (AZ, CO, ID, MT, NV, NM, UT, WY)...	2,704.78	2,099.73	605.05	2,243.71	1,818.61	425.10
9. Pacific (AK, CA, HA, OR, WA)........................	2,918.66	2,210.17	708.49	2,396.33	1,900.63	495.70

Source: 48 F.R. 330, Jan. 3, 1984.

To determine the amount for each hospital, the labor-related portion is multiplied by the appropriate hospital wage index (classified by Metropolitan Statistical Area or Non-metropolitan Statistical Area). Adjustments to the non-labor-related component are made only for hospitals located in Alaska and Hawaii. The revised standardized amount is then multiplied by the weighting factor corresponding to the appropriate DRG classification (each of the 468 DRG's has been assigned its own weighting factor).

For an example of how the computation is made, assume that the hospital is located in Washington, D.C. (urban area of census region 3 with a hospital wage index of 1.1637). For DRG 143 (chest pain) which has a DRG weighting factor of 0.6814, the calculation would be made as follows:

- —The labor-related component for census region 3 (urban area) is $2,183.42. This amount is multiplied by the appropriate hospital wage index (i.e., 1.1637) to give a revised labor-related component of $2,540.85.
- —This amount is added to the non-labor-related component ($581.98) to give a revised standardized amount of $3,122.83.
- —The revised standardized amount is multiplied by the DRG weighting factor (i.e., 0.6814) to give the DRG rate of $2,127.90.

The first 156 DRG listings published in the Federal Register of September 1, 1983, are shown in table 3. The geometric mean length of stay for DRG 143 (chest pain) is 4.4 days and outlier payments for this DRG will begin with day 19 (last column in table 3).

Table 4 contains a listing of wage indices for various metropolitan and nonmetropolitan areas as listed in the Federal Register of September 1, 1983.

Determination of the hospital-specific portion of the payment

The hospital-specific portion of the formula is determined by using the allowable base year (1981) costs for that hospital (excluding those costs not allowable under the "section 223 limits") and adjusted to exclude those items not included under the current prospective payment system (i.e., capital costs, medical education costs, and kidney acquisition costs). The amount is further adjusted to reflect other factors including costs previously billed under part B which must now be included under the prospective system. Total base year allowable costs are divided by the number of medicare discharges to give the per case base year cost for that hospital.

The per case base year amount is adjusted for the hospital's individual case mix to neutralize it for complexity of patient mix. The amount is further adjusted by an updating factor which reflects: inflationary increases in hospital costs since the base year (1981), adjustments to assure budget neutrality, and further adjustments to reflect the month in which the individual hospital's cost reporting period begins. The formula for the calculation of the hospital specific rate is as follows: Per case base year costs divided by case-mix index, multiplied by updating factor, equals the hospital specific rate.

For a particular hospital the rate could look like this:

$$\frac{\$3{,}000}{1.0235} \times 1.13455 = \$3{,}325.50$$

The hospital specific rate is then multiplied by the DRG weight. For DRG 143 (chest pain) this would yield a hospital specific amount of $2,266.

Determination of total payment

For fiscal year 1984, 25 percent of a hospital's payment is based on the DRG rate and 75 percent on the hospital specific rate. Therefore, for the hospital cited in the above example, payment for DRG 143 would be calculated as follows: 0.25 ($2,127.90) + .75 ($2,266) = $2,231.47

The total payment for DRG 143 to that hospital is the number of admissions for DRG 143 times $2,231.47. This methodology is repeated for each DRG to determine total payments to the hospital.

TABLE 3.—PARTIAL LISTING OF DIAGNOSIS RELATED GROUPS (DRGS), RELATIVE WEIGHTING FACTORS, GEOMETRIC MEAN LENGTH OF STAY, AND LENGTH OF STAY OUTLIER CUTOFF POINTS USED IN THE PROSPECTIVE PAYMENT SYSTEM

DRG No.	Title	Relative weights	Geometric mean length of stay	Outlier threshold
1	Craniotomy age >17 except for trauma	3.3548	19.4	39
2	Craniotomy for trauma age >17	3.2829	15.8	36
3	Craniotomy age <18 [1]	2.9489	12.7	33
4	Spinal procedures	2.2452	16.0	36
5	Extracranial vasollar procedures	1.6780	9.8	30
6	Carpal tunnel release	.3993	2.6	8
7	Periph and cranial nerve and other nerv syst proc age >69 and/or c.c	1.0279	5.3	25
8	Periph and cranial nerve and other nerv syst proc age <70 w/o c.c	.7239	4.1	23
9	Spinal disorders and injuries	1.3958	9.1	29
10	Nervous system neoplasms age >69 and/or c.c	1.3087	9.6	30
11	Nervous system neoplasms age <70 w/o c.c	1.2545	8.5	29
12	Degenerative nervous system disorders	1.1136	9.4	29
13	Multiple sclerosis and cerebellar ataxia	1.0150	8.9	29
14	Specific cerebrovascular disorders except TIA	1.3527	9.9	30
15	Transient ischemic attacks	.6673	5.6	24
16	Nonspecific cerebrovascular disorders with c.c	.8592	7.4	27
17	Nonspecific cerebrovascular disorders w/o c.c	.8392	7.2	27
18	Cranial and peripheral nerve disorders age >69 and/or c.c	.7915	6.6	27
19	Cranial and peripheral nerve disorders age <70 w/o c.c	.6975	5.7	26
20	Nervous system infection except viral meningitis	1.3141	7.6	28
21	Viral meningitis [1]	.6301	4.5	15
22	Hypertensive encephalopathy	.7869	6.4	26
23	Nontraumatic stupor and coma	1.1568	5.9	26
24	Seizure and headache age >69 and/or c.c	.7279	5.6	26
25	Seizure and headache age 18–69 b/c c.c	.6392	4.9	25
26	Seizure and headache age 0–17 [1]	.4349	3.3	13
27	Traumatic stupor and coma, coma >1 hr	1.1368	4.1	24
28	Traumatic stupor and coma, coma <1 hr age >69 and/or c.c	1.0701	5.9	26
29	Traumatic stupor and coma <1 hr age 18–19 w/o c.c.[1]	.7175	3.8	24
30	Traumatic stupor and coma <1 hr age 0–17 [1]	.3576	2.0	8
31	Concussion age >65 and/or c.c	.6051	4.6	25
32	Concussion age 18–69 w/o c.c	.4519	3.3	19
33	Concussion age 0–17 [1]	.2483	1.6	5
34	Other disorders of nervous system age >69 and/or c.c	.9927	7.1	27
35	Other disorders of nervous system age <70 w/o c.c	.8460	6.2	26
36	Retinal procedures	.7093	5.0	15
37	Orbital procedures	.5630	3.4	11
38	Primary iris procedures	.4325	3.0	9
39	Lens procedures	.5010	2.8	6
40	Extraocular procedures except orbit age >17	.3977	2.4	7
41	Extraocular procedures except orbit age 0–17 [1]	.3695	1.6	4
42	Intraocular procedures except retina, iris and lens	.5906	3.8	12
43	Hyphema [1]	.3828	4.2	12
44	Acute major eye infections	.6298	6.5	22
45	Neurological eye disorders	.5641	4.3	18
46	Other disorders of the eye age >17 with c.c	.5964	4.1	23
47	Other disorders of the eye age >17 w/o c.c	.5064	3.0	12
48	Other disorders of the eye age 0–17 [1]	.4060	2.9	13
49	Major head and neck procedures	2.5270	13.6	34
50	Sialoadenectomy	.7160	4.6	14
51	Salivary gland procedures except sialoadenectomy	.6702	4.2	15
52	Cleft lip and palate repair [1]	.6488	3.8	11
53	Sinus and mastoid procedures age >17	.5895	3.5	11
54	Sinus and mastoid procedures age 0–17 [1]	.6961	3.2	11
55	Miscellaneous ear, nose and throat procedures	.4153	2.5	7
56	Rhinoplasty	.4144	2.8	8

TABLE 3.—PARTIAL LISTING OF DIAGNOSIS RELATED GROUPS (DRGS), RELATIVE WEIGHTING FACTORS, GEOMETRIC MEAN LENGTH OF STAY, AND LENGTH OF STAY OUTLIER CUTOFF POINTS USED IN THE PROSPECTIVE PAYMENT SYSTEM—Continued

DRG No.	Title	Relative weights	Geometric mean length of stay	Outlier threshold
57	T and A proc except tonsillectomy and/or adenoidectomy age >17 [1]	.5251	2.7	9
58	T and A proc except tonsillectomy and/or adencidectomy age 0–17 [1]	.3130	1.5	3
59	Tonsillectomy and/or adenoidectomy only age >17 [1]	.3147	2.0	4
60	Tonsillectomy and/or adenoidectomy only age 0–17 [1]	.2643	1.5	3
61	Myringotomy age >17	.4273	2.1	9
62	Myringotomy age 0–17 [1]	.3121	1.3	3
63	Other ear, nose and throat O.R. procedures	1.1090	5.8	26
64	Ear, nose and throat malignancy	1.0812	5.7	26
65	Dyseguilibrium	.4857	4.6	17
66	Epistaxis	.4116	3.7	15
67	Epiglottitis [1]	.6762	4.3	17
68	Otitis media and uri age >69 and/or c.c	.6289	6.0	22
69	Otitis media and uri age 18–69 w/o c.c	.5417	4.8	19
70	Otitis media and uri age 0–17 [1]	.3697	3.1	10
71	Laryngotracheitis [1]	.3589	2.9	9
72	Nasal trauma and deformity	.4857	3.8	13
73	Other ear, nose and throat diagnoses age >17	.5217	3.5	17
74	Other ear, nose and throat diagnoses age 0–17 [1]	.3463	2.1	9
75	Major chest procedures	2.6044	14.4	34
76	O.R. proc on the resp system except major chest with c.c	1.8734	10.6	31
77	O.R. proc on the resp system except major chest w/o c.c	1.8178	9.5	30
78	Pulmonary embolism	1.4095	10.4	30
79	Respiratory infections and inflammations age >69 and/or c.c	1.7982	11.2	31
80	Respiratory infections and inflammations age 18–69 w/o c.c	1.7445	10.9	31
81	Respiratory infections and inflammations age 0–17 [1]	.8743	6.1	26
82	Respiratory neoplasms	1.1400	7.4	27
83	Major chest trauma age >69 and/or c.c	.9809	8.1	28
84	Major chest trauma age <70 w/o c.c. [1]	.7738	5.3	22
85	Pleural effusion age >69 and/or c.c	1.1461	8.4	28
86	Pleural effusion age <70 w/o c.c	1.1217	7.6	28
87	Pulmonary edema and respiratory failure	1.5529	7.7	28
88	Chronic obstructive pulmonary disease	1.0412	7.5	28
89	Simple pneumonia and pleurisy age >69 and/or c.c	1.1029	8.5	29
90	Simple pneumonia and pleurisy age 18–69 w/o c.c	.9849	7.6	28
91	Simple pneumonia and pleurisy age 0–17 [1]	.5131	4.6	14
92	Interstitial lung disease age >69 and/or c.c	1.0370	7.8	28
93	Interstitial lung disease age <70 w/o c.c	.9724	6.9	27
94	Pneumothorax age >69 and/or c.c	1.4374	9.2	29
95	Pneumothorax age <70 w/o c.c	1.1252	7.7	28
96	Bronchitis and asthma age >69 and/or c.c	.7996	6.9	24
97	Bronchitis and asthma age 18–69 w/o c.c	.7256	6.2	21
98	Bronchitis and asthma age 0–17 [1]	.4275	3.7	11
99	Respiratory signs and symptoms age >69 and/or c.c	.8035	5.5	26
100	Respiratory signs and symptoms age <70 w/o c.c	.7730	5.1	24
101	Other respiratory diagnoses age >69 and/or c.c	.9035	6.8	27
102	Other respiratory diagnoses age <70	.9024	6.1	26
103	Heart transplant [1]	.0000	.0	0
104	Cardiac valve procedure with pump and with cardiac cath [2]	6.8527	20.9	41
105	Cardiac valve procedure with pump and w/o cardiac cath [2]	5.2308	16.2	36
106	Coronary bypass with cardiac cath [2]	5.2624	20.4	40
107	Coronary bypass w/o cardiac cath [2]	3.9891	13.5	34
108	Cardiothor proc, except valve and coronary bypass, with pump	4.3756	13.3	33
109	Cardiothoracic procedures w/o pump	3.6963	12.1	32
110	Major reconstructive vascular procedures age >69 and/or c.c	2.9328	14.3	34
111	Major reconstructive vascular procedures age <70 w/o c.c	2.5851	13.2	33
112	Vascular procedures except major reconstruction	2.3500	11.2	31

TABLE 3.—PARTIAL LISTING OF DIAGNOSIS RELATED GROUPS (DRGS), RELATIVE WEIGHTING FACTORS, GEOMETRIC MEAN LENGTH OF STAY, AND LENGTH OF STAY OUTLIER CUTOFF POINTS USED IN THE PROSPECTIVE PAYMENT SYSTEM—Continued

DRG No.	Title	Relative weights	Geometric mean length of stay	Outlier threshold
113	Amputation for circ system disorders except upper limb and toe	2.6800	21.6	42
114	Upper limb and toe amputation for circ system disorders	2.1067	16.6	37
115	Permanent cardiac pacemaker implant with ami or chf	3.9150	15.8	36
116	Permanent cardiac pacemaker implant w/o ami or chf	2.8665	9.3	29
117	Cardiac pacemaker replace and revis exc pulse gen repl only	1.8210	6.4	26
118	Cardiac pacemaker pulse generator replacement only	1.7809	4.2	18
119	Vein ligation and stripping	1.0610	7.2	27
120	Other o.r. procedures on the circulatory system	2.5204	15.0	35
121	Circulatory disorders with ami and c.v. comp. disch. alive [2]	1.8648	11.9	32
122	Circulatory disorders with ami w/o c.v. comp. disch. alive [2]	1.3651	9.8	30
123	Circulatory disorders with ami, expired	1.1360	3.1	23
124	Circulatory disorders exc ami, with card cath and complex diag	2.2200	8.4	28
125	Circulatory disorders exc ami, with card cath w/o complex diag	1.6455	5.0	25
126	Acute and subacute endocarditis	2.6645	18.4	38
127	Heart failure and shock	1.0408	7.8	28
128	Deep vein thrombophlebitis	.8639	9.6	28
129	Cardiac arrest	1.5506	4.6	25
130	Peripheral vascular disorders age >69 and/or c.c	.9645	7.1	27
131	Peripheral vascular disorders age <70 w/o c.c	.9491	6.4	26
132	Atherosclerosis age >69 and/or c.c	.9182	6.7	27
133	Atherosclerosis age <70 w/o c.c	.8599	5.2	25
134	Hypertension	.7049	6.1	26
135	Cardiac congenital and valvular disorders age >69 and/or c.c	.9922	6.1	26
136	Cardiac congenital and valvular disorders age 18–69 w/o c.c	.9674	4.9	25
137	Cardiac congenital and valvular disorders age 0–17	.6381	3.3	20
138	Cardiac arrhythmia and conduction disorders age over 69 and/or c.c	.9297	5.7	26
139	Cardiac arrhythmia and conduction disorders age under 70 w/o c.c	.8303	4.8	23
140	Angina pectoris	.7548	5.5	21
141	Syncope and collapse age over 69 and/or c.c	.6475	5.0	21
142	Syncope collapse age under 70 w/o c.c	.5680	4.3	18
143	Chest pain	.6814	4.4	19
144	Other circulatory diagnoses with c.c	1.1267	7.0	27
145	Other circulatory diagnoses w/o c.c	1.0020	6.4	26
146	Rectal resection age over 69 and/or c.c	2.7082	19.1	39
147	Rectal resection age under 70 w/o c.c	2.5087	17.9	38
148	Major small and large bowel procedures age over 69 and/or c.c	2.5493	17.0	37
149	Major small and large bowel procedures age under 70 w/o c.c	2.2154	15.2	35
150	Peritoneal adhesiclysis age over 69 and/or c.c	2.3746	15.3	35
151	Peritoneal adhesiclysis age under 70 w/o c.c	2.0274	13.4	33
152	Minor small and large bowel procedures age over 69 and/or c.c	1.4851	10.6	31
153	Minor small and large bowel procedures age under 70 w/o c.c	1.2599	9.3	29
154	Stomach, esophageal and duodenal procedures over age 69 and/or c.c	2.6901	14.8	35
155	Stomach, esophageal and duodenal procedures under age 18–69 w/o c.c	2.3336	13.0	33
156	Stomach, esophageal and duodenal procedures under age 0–17	.8470	6.0	20

[1] Medpar data have been supplemented by data from Maryland and Michigan for low volume DRGs.

[2] DRG categories combined (in pairs) in the calculation of the case mix index.

Table 4.—Wage Index for Urban Areas

MSA area	Wage index
Abilene, TX Taylor.	.9414
Akron, OH Portage, Summit.	1.0734
Albany, GA Dougherty, Lee.	[1].8907
Albany-Schenectady-Troy, NY. Greene, Montgomery, Rensselaer, Saratoga.	.8925
Albuquerque, NM Bernalillo.	1.0579
Alexandria, LA Rapides.	.9735
Allentown-Bethlehem, PA-NJ. Warren, NJ, Carbon, PA, Lehigh, PA, Northampton, PA.	1.0518
Alton-Granite City, IL Jersey, Madison.	.9587
Altoona, PA Blair.	1.0249
Amarillo, TX Potter, Randall.	.9696
Anaheim-Santa Ana, CA Orange.	1.2445
Anchorage, AK	1.4657
Anderson, IN Madison.	.9690
Anderson, SC	.8746
Ann Arbor, MI Washtenaw.	1.2090
Anniston, AL Calhoun.	.8625
Appleton-Oshkosh-Neenah, WI. Calument, Outgamie, Winnebago.	.9704
Asheville, NC Buncombe.	.9508
Athens, GA Clarke, Jackson, Madison, Oconee.	.8817
Atlanta, GA Barrow, Butts, Cherokee, Clayton, Cobb, Coweta, De Kalb, Douglas, Fayette, Forsyth, Fulton, Gwinnett, Henry, Newton, Paulding, Rockdale, Spalding, Walton.	.9417
Atlantic City, NJ Atlantic, Cape May.	1.0649
Augusta, GA-SC Columbia, GA, McDuffie, GA, Richmond, GA, Aiken, SC.	.9614
Auroa-Elgin, IL Kane, Kendall.	.9958
Austin, TX Hays, Travis, Williamson.	1.0590
Bakersfield, CA Kern.	1.2271
Baltimore, MD Anne Arundel, Baltimore, Baltimore City, Carroll, Harford, Howard, Queen Annes.	1.0860
Bangor, ME Penobscot.	.9271
Baton Rouge, LA Ascension, East Baton Rouge, Livingston, West Baton Rouge.	1.0174
Battle Creek, MI Calhoun.	1.0600
Beaumont-Port Arthur, TX. Hardin, Jefferson, Orange.	.9874
Beaver County, PA Beaver.	1.0863
Bellingham, WA Whatcom.	1.0544
Benton Harbor, MI Berrien.	.8734
Bergen-Passaic, NJ	1.0290
Billings, MT Yellowstone.	[1].9648
Biloxi-Gulfport, MS Hancock, Harrison.	.8710
Binghamton, NY Broome, Tioga.	.9526
Birmingham, AL Blount, Jefferson, Saint Clair, Shelby, Walker.	1.0047
Bismarck, ND Burleigh, Morton.	1.0100
Bloomington, IN Monroe.	[1].9143
Bloomington-Normal, IL McLean.	[1] 1.0139
Boise City, ID Ada.	1.0755
Boston-Lawrence-Salem-Lowell-Brockton, MA. Essex, Middlesex, Norfolk, Plymouth, Suffolk.	1.0949
Boulder-Longmont, CO	.9982
Bradenton, FL Manatee.	[1].9199
Brazoria, TX	.8409
Bremerton, WA Kitsap.	[1].8989
Bridgeport-Stamford-Norwalk-Danbury, CT. Fairfield.	1.1572
Brownsville-Harlingen, TX. Cameron.	.9217

Table 4.—Wage Index for Urban Areas—Continued

MSA area	Wage index
Bryan-College Station, TX Brazos.	.9077
Buffalo, NY Erie.	.9787
Burlington, NC Alamance.	.8480
Burlington, VT Chittenden, Grand Isle.	[1].9654
Canton, OH Carroll, Stark.	.9797
Casper, WY Natrona.	1.0255
Cedar Rapids, IA Linn.	.9379
Champaign-Urbana-Rantoul, IL.	1.0245
Charleston, SC Berkeley, Dorchester.	1.0262
Charleston, WV Kanawha, Putnam.	1.1033
Charlotte-Gastonia-Rock Hill, NC-SC. Cabarrus, NC, Gaston, NC, Lincoln, NC, Mecklenburg, NC, Rowan, NC, Union, NC, York, SC.	.9776
Charlottesville, VA Albermarle, Charlottesville City, Fluvanna, Greene.	1.2925
Chattanooga, TN-GA Catoosa, GA, Dade, GA, Walker, GA, Hamilton, TN, Marion, TN, Sequatchie, TN.	.9671
Chicago, IL Cook, DuPage, McHenry.	1.2196
Chico, CA Butte.	1.0558
Cincinnati, OH-KY-IN Dearborn, IN, Boone, KY, Campbell, KY, Kenton, KY, Clermont, OH, Hamilton, OH, Warren, OH.	1.0558
Clarksville-Hopkinsville, TN-KY. Christian, KY, Montgomery, TN.	.8342
Cleveland, OH Cuyahoga, Geauga, Lake, Medina.	1.2028
Colorado Springs, CO El Paso.	1.1069
Columbia, MO Boone.	1.1357
Columbia, SC Lexington, Richland.	.9603
Columbus, GA-AL Russell, AL, Chattanoochee, GA, Muscogee, GA.	.9199
Columbus, OH Delaware, Fairfield, Franklin, Licking, Madison, Pickaway, Union.	1.0423
Corpus Christi, TX Nueces, San Patricio.	.9648
Cumberland, MD-WV Allegeny, MD, Mineral, WV.	.9460
Dallas, TX Collin, Denton, Ellis, Kaufman, Rockwall.	1.0774
Danville, Va Danville City, Pittsylvania.	[1].8701
Davenport-Rock Island-Moline, IA-IL. Scott, IA, Henry, IL, Rock Island, IL.	.9821
Dayton-Springfield, OH Clark, Greene, Miami, Montgomery.	1.1117
Daytona, Beach, FL Volusia.	.9693
Decatur, IL Macon.	[1].9831
Denver, CO Adams, Arapahoe, Douglas, Jefferson.	1.2141
Des Moines, IA Dallas, Polk, Warren.	1.0709
Detroit, MI Lapeer, Livingston, Macomb, Monroe, Oakland, Saint Clair, Wayne.	1.1992
Dothan, AL Dale, Houston.	.8848
Dubuque, IA	1.0281
Duluth, MN-WI St. Louis, MN, Douglas, WI.	.9154
East St Louis-Belleville, IL Clinton, St. Clair.	.9717
Eau Claire, WI Chippewa.	.9703
El Paso, TX	.8991
Elkhart-Goshen, IN	[1].8907
Elmira, NY Chemung.	1.0257
Enid, OK Garfield.	.9018
Erie, PA	.9927
Eugene-Springfield, OR Lane.	.9882
Evansville, IN-KY	1.0093

Table 4.—Wage Index for Urban Areas—Continued

MSA area	Wage index
Posey, IN, Vanderburgh, IN, Warrick, IN, Henderson, KY.	
Fargo-Moorhead, ND-MN Clay, MN, Cass, ND.	1.0051
Fayetteville, NC Cumberland.	[1].9325
Fayetteville-Springdale, AR Washington.	.8307
Flint MI Genesee.	1.1523
Florence, AL Colbert, Lauderdale.	.8088
Florence, SC	.8072
Fort Collins-Loveland, CO Lanimer.	.9278
Fort Lauderdale-Hollywood-Pompano Beach, FL. Broward.	1.1105
Fort Myers, FL Lee.	.9242
Fort Pierce, FL Martin, St. Lucie.	.9943
Fort Smith, AR-OK Crawford, AR, Sebastian, AR, Sequoyah, OK.	.9705
Fort Walton Beach FL Okaloosa.	[1].7873
Fort Wayne, IN Allen, De Kalb, Whittey.	.9446
Fort Worth-Arlington, TX Johnson, Parker, Tarrant.	.9281
Fresno, CA	1.1951
Gadsden, AL Etowah.	.9234
Ganesville, FL Alachua, Bradford.	.9709
Galveston-Texas City TX	1.1822
Gary-Hammond, IN Lake, Porte.	1.1222
Glens Falls, NY Warren, Washington.	.8813
Grand Forks, ND	[1].9762
Grand Rapids, MI Kent, Ottawa.	.9998
Great Falls, MT Cascade.	[1] 1.0307
Greeley, CO Weld.	[1] 1.0829
Green Bay, WI Brown.	.9974
Greensboro-Winston-Salem-High Point NC. Davidson, Davis, Forsyth, Guilford, Randolph, Stokes, Yadkin.	.9578
Greenville-Spartanburg, SC Pickens.	.9474
Hagerstown, MD Washington.	1.0091
Hamilton-Middletown, OH Butler.	1.0435
Harrisburg-Lebanon-Carlisle, PA. Cumberland, Dauphin, Perry.	1.0356
Hartford-New Middletown-Britian-Bristol, CT. Litchfield, Middlesex, Tolland.	1.0692
Hickory, NC Alexander, Burke, Catawba.	.9503
Honolulu, HI	1.1471
Houma-Thibodaux, LA Lafourche, Terrebonne.	.9786
Houston, TX Fort Bend, TX, Harris, Liberty, Montgomery, Waller.	1.1119
Huntington-Ashland, WV-KY-OH. Boyd, KY, Carter, KY, Greenup, KY, Lawrence, OH, Cabell, WV, Wayne, WV.	.9809
Huntsville, AL Madison.	.8990
Indianapolis, IN Boone, Hamilton, Hancock, Hendricks, Johnson, Marion, Morgan, Shelby.	1.0555
Iowa City, IA Johnson.	1.1423
Jackson, MI	[1] 1.0281
Jackson, MS Hinds, Madison, Rankin.	.9110
Jacksonville, FL Clay, Duval, Nassau, St. Johns.	.9914
Jacksonville, NC Onslow.	[1].8848
Janesville-Beloit, WI Rock.	.8907
Jersey City, NJ Hudson.	1.0913
Johnston City-Kingsport-Bristol, TN-VA. Carter, TN, Hawkins, TN, Sullivan, TN, Unicoi, TN, Washington, TN, Bristol City, VA, Scott, VA, Washington, VA.	.9240
Johnstown, PA Cambria, Somerset.	1.0284
Joliet IL Grundy, Will.	1.0893

Table 4.—Wage Index for Urban Areas—Continued

MSA area	Wage index
Joplin, MO Jasper, Newton.	.9579
Kalamazoo, MI	1.2269
Kankakee, IL	.9143
Kansas City, KS Johnson, Leavenworth, Miami, Wyandotte.	.9784
Kansas City, MO Cass, Clay, Jackson, Lafayette, Platte, Ray.	.9910
Kenosha, WI	[1] 1.0913
Kileen-Temple, TX Bell, Coryell.	.9402
Knoxville, IN Anderson, Blount, Grainger, Jefferson, Knox, Sevier, Union.	.9186
Kokomo, IN Howard, Tipton.	.9610
LaCrosse, WI	[1].9402
Lafayette, LA St. Martin.	1.0162
Lafayette, IN Tippecanoe.	.9112
Lake Charles, LA Calcasieu.	.9942
Lake County, IL Lake.	1.1086
Lakeland-Winter Haven, FL. Polk.	.9276
Lancaster, PA	1.0372
Lansing-East Lansing, MI Clinton, Eaton, Ingham.	1.0514
Laredo, TX Webb.	[1].8561
Las Cruces, NM Dona Ana.	[1].8455
Las Vegas, NV Clark.	1.2190
Lawrence, KS Douglas.	[1].9797
Lawton, OK Comanche.	[1].9276
Lewiston-Auburn, ME Androscoggin.	[1].9177
Lexington-Fayette, KY Bourbon, Clark, Jessamine, Scott, Woodford.	.9574
Lima, OH Allen, Auglaize.	.9987
Lincoln, NE Lancaster.	.8670
Little Rock-North Little Rock, AR. Faulkner, Lonoke, Pulaski, Saline.	1.0183
Longview-Marshall, TX Gregg, Harrison.	.8561
Lorain-Elyria, OH	1.0549
Los Angeles-Long Beach, CA.	1.3037
Louisville, KY-IN Clark, IN, Floyd, IN, Harrison, IN, Bullitt, KY, Jefferson, KY, Oldham, KY, Shelby, KY.	1.0854
Lubbock, TX	1.0087
Lynchburg, VA Amherst, Campbell, Lynchburg City.	.9240
Macon-Warner Robins, GA Bibb, Houston, Jones, Peach.	.9850
Madison, WI Dane.	1.0259
Manchester-Nashua, NH Hillsboro, Merrimack.	.9346
Mansfield, OH Richland, OH.	.9177
McAllen-Edinburg-Mission, TX. Hidalgo.	8378
Medford, OR Jackson.	.9853
Melbourne-Titusville-Palm Bay, FL. Brevard.	.9333
Memphis, TN-AR/MS Crittenden, AR, De Soto, MS, Shelby, TN, Tipton, TN.	1.0765
Miami-Hialeah, FL Dade.	1.1492
Middlesex-Somerset-Hunterdon, N.J.	1.0633
Midland, TX	1.0783
Milwaukee, WI Ozaukee, Washington, Waukesha.	1.0522
Minneapolis-St. Paul, MN-WI. Anoka, MN, Carver, MN, Chisago, MN, Dakota, MN, Hennepin, MN, Isanti, MN, Ramsey, MN, Scottt, MN, Washington, MN, Wright, MN, St. Croix, WI.	1.0271
Mobile, AL Baldwin.	.9330
Modesto, CA Stanislaus.	1.0795
Monmouth-Ocean, NJ	.9863
Monroe, LA Ouachita.	.9550
Montgomery, AL Autauga, Elmore.	.9726
Muncie, IN	[1].9783

Table 4.—Wage Index for Urban Areas—Continued

MSA area	Wage index
Delaware.	
Muskegon, MI	.9325
Nashville, TN	1.2287
Cheatham, Davidson, Dickson, Robertson, Rutherford, Sumner, Williamson, Wilson.	
Nassau-Suffolk, NY	1.2093
New Bedford-Fall River-Attleboro, MA.	.9662
Bristol.	
New Haven-Waterbury-Meriden, CT.	1.0667
New London-Norwich, CT	1.0667
New Orleans, LA	1.0164
Jefferson, Orleans, St. Bernard, St. Charles, St. John The Baptist, St. Tammany.	
New York, NY	1.3657
Bronx, Kings, New York City, Putnam, Queens, Richmond, Rockland, Westchester.	
Newark, NJ	1.1288
Essex, Morris, Sussex, Union.	
Niagara Falls, NY	.8741
Niagara.	
Norfolk-Virginia Beach-Newport News, VA.	.9783
Chesapeake City, Gloucester, Hampton City, James City Co., Newport News City. Norfolk City, Poquoson, Portsmouth City, Suffolk City, Virginia Beach City, Williamsburg City, York.	
Oakland, CA	1.2615
Alameda, Contra Costs.	
Ocala, FL	[1]1.0100
Marion.	
Odessa, TX	[1].9776
Ector.	
Oklahoma City, OK	1.0573
Canadian, Cleveland, Logan, McClain, Oklahoma, Pottawatomie.	
Olympia, WA	[1]1.0573
Thurston.	
Omaha, NE-IA	.8944
Pottawattamie, IA, Douglas, NE, Sarpy, NE, Washington, NE.	
Orange County, NY	1.0061
Orange.	
Orlando, FL	1.0146
Orange, Osceola, Seminole.	
Owensboro, KY	[1].8848
Daviess.	
Oxnard-Ventura, CA	1.1987
Panama City, FL	[1].9077
Bay.	
Parkersburg-Marietta, WV-OH.	.9953
Washington, OH, Wood, WV.	
Pascagoula, MS	[1]1.0139
Jackson.	
Pensacola, FL	.9110
Escambia, Santa Rosa.	
Peoria, IL	1.1158
Tazewell, Woodford.	
Philadelphia, PA-NJ	1.1760
Burlington, NJ, Camden, NJ, Gloucaster, NJ, Bucks, PA, Chester, PA, Delaware, PA, Montgomery, PA.	
Phoenix, AZ	1.1122
Maricopa.	
Pine Bluff, AR	[1].8774
Jefferson.	
Pittsburgh, PA	1.1387
Allegheny, Fayette, Washington, Westmoreland.	
Pittsfield, MA	.9615
Berkshire,.	
Portland, ME	.9654
Cumberland, Sagadahoc, York.	
Portland, OR	1.1194
Clackamas, Multnomah, Washington, Yamhill.	
Portsmouth-Dover-Rochester, NH.	.8455
Rockingham, Strafford.	
Poughkeepsie, NY	1.0919
Dutchess.	
Providence-Pawtucket-Woonsocket, RI.	.9773
Bristol, Kent, Newport, Washington.	
Provo-Orem, UT	.9471
Utah.	
Pueblo, CO	1.1600
Racine, WI	1.0014
Raleigh-Durham, NC	1.0139
Franklin, Orange, Wake	
Reading, PA	1.0285
Berks.	
Redding, CA	1.0544
Shasta.	
Reno, NV	1.2988

Table 4.—Wage Index for Urban Areas—Continued

MSA area	Wage index
Washoe.	
Richland-Kennewick-Pasco, WA.	.9547
Benton, Franklin.	
Richmond-Petersburg, VA	.8866
Charles City Co., Chesterfield, Colonial Heights City, Dinwiddle, Goochland, Hanover, Henrico, Hopewell City, New Kent, Petersburg City, Powhatan, Prince George, Richmond City	
Riverside-San Bernardino, CA.	1.1753
Roanoke, VA	1.0019
Botetourt, Roanoke City, Salem City.	
Rochester, MN	1.0255
Olmsted.	
Rochester, NY	1.0379
Livingston, Monroe, Ontario, Orleans, Wayne.	
Rockford, IL	1.0432
Boone, Winnebago.	
Sacramento, CA	1.1422
Eldorado, Placer, Yolo.	
Saginaw-Bay City-Midland, MI.	1.0950
St. Cloud, MN	.8806
Benton, Sherburn, Steams.	
St. Joseph, MO	.9876
Buchanan.	
St. Louis, MO-IL	1.0716
Monroe, IL, Franklin, MO, Jefferson, MO, St. Charles, MO, St. Louis City, MO.	
Salem, OR	1.0580
Marion, Polk.	
Salinas-Seaside-Monterey, CA.	1.2763
Salt Lake City-Ogden, UT	.9669
Davis, Salt Lake, Weber.	
San Angelo, TX	.9288
Tom Green.	
San Antonio, TX	1.0517
Bexar, Comal, Guadalupe.	
San Diego, CA	1.1897
San Francisco, CA	1.3974
Marin, San Mateo.	
San Jose, CA	1.2954
Santa Clara.	
Santa Barbara-Santa Maria-Lompoc, CA.	1.1117
Santa Cruz, CA	1.1387
Santa Rosa-Petaluma, CA	1.1832
Sonoma.	
Sarasota, FL	.9880
Savannah, GA	.9521
Chatham, Effingham.	
Scranton-Wilkes Barre, PA	.9762
Columbia, Lackawanna, Luzerne, Monroe, Wyoming.	
Seattle, WA	1.0881
King, Snohomish.	
Sharon, PA	.9660
Mercer.	
Sheboygan, WI	.8857
Sherman-Denison, TX	.9015
Grayson.	
Shreveport, LA	1.0656
Bossier, Caddo.	
Sioux City, IA-NE	1.0322
Woodbury, IA, Dakota, NE.	
Sioux Falls, SD	.9448
Minnehaha	
South Bend-Mishawaka, IN	.8989
St. Joseph.	
Spokane, WA	1.1193
Springfield, IL	1.1417
Menard, Sangamon.	
Springfield, MO	.9537
Christian, Greene	
Springfield, MA	.9875
Hampden, Hampshire.	
State College, PA	[1] 1.0573
Centre.	
Steubenville-Weirton, OH-WV.	.9763
Jefferson, OH, Brooke, WV, Hancock, WV.	
Stockton, CA	1.1647
San Joequin.	
Syracuse, NY	1.4557
Madison, Onondaga, Oswego.	
Tacoma, WA	1.0445
Pierce.	
Tallahassee, FL	.9270
Gadsden, Leon.	
Tampa-St. Petersburg-Clearwater, FL.	.9983
Hermando, Hillsborough, Pasco, Pinellas.	
Terre Haute, IN	.8874
Clay, Vigo.	
Texarkana-TX-Texarkana-AR.	1.1104
Miller, AR, Bowie, TX.	
Toledo, OH	1.1330
Fulton, Lucas, Wood.	
Topeka, KS	1.1131
Shawnee.	
Trenton, NJ	1.0366
Mercer.	

Wage Indices for Rural Areas—Continued

MSA area	Wage index
Tucson, AZ Pima.	1.0161
Tulsa, OK Creeks, Osage, Rogers, Wagoner.	1.0392
Tuscaloosa, AL	1.0186
Tyler, TX Smith.	1.0029
Utica-Rome, NY Herkimer, Oneida.	.9351
Vallejo-Fairfield-Napa, CA Solano.	1.3293
Vancouver, WA Clark.	[1] 1.0829
Victoria, TX	.8634
Vineland-Millville-Bridgeton, NJ. Cumberland.	.9498
Visalla-Tulare-Porterville, CA.	1.1354
Waco, TX McLennan.	.8330
Washington, D.C.-MD-VA District of Columbia, DC, Calvert, MD, Charles, MD, Frederick, MD, Montgomery, MD, Prince Georges, MD, Alexandria City, VA, Arlington, VA, Fairfax, VA, Fairfax City, VA, Falls Church, VA, Loudon, VA, Manassas City, VA, Manassas Park City, VA, Prince William, VA, Stafford, VA.	1.1637
Waterloo-Cedar Falls, IA Black Hawk, Bremer.	.9100
Waussau, WI Marathon.	[1].9315
West Palm Beach-Boca Raton-Delray Beach, FL. Palm Beach.	.9806
Wheeling, WV-OH Belmont, OH, Marshall, WV, Ohio, WV.	.9831
Wichita, KS Butler, Sedgwick.	1.1213
Wichita Falls, TX Wichita.	.8718
Williamsport, PA Lycoming.	1.0262
Wilmington, DE-NJ-MD New Castle, DE, Cecil, MD, Salem, NJ.	1.0893
Wilmington, NC New Hanover.	.9015
Worcester-Fitchburg, Leominster, MA.	.9769
Yakima, WA	1.0039
York, PA Adams.	1.0307
Youngstown-Warren, OH Mahoning, Trumbull.	1.1040
Yuba City, CA Sutter, Yuba.	1.0829

[1] Approximate value for area.

Wage Indices for Rural Areas

Non-MSA area	Wage index
Alabama	.7791
Alaska	1.3766
Arizona	.8949
Arkansas	.7810
California	1.0108
Colorado	.8322
Connecticut	.9973
Delaware	.9015
Florida	.8721
Georgia	.8502
Hawaii	1.1771
Idaho	.9002
Illinois	.8683
Indiana	.8617
Iowa	.8174
Kansas	.8135
Kentucky	.8154
Louisiana	.8356
Maine	.8672
Maryland	.9315
Massachusetts	.9710
Michigan	.9475
Minnesota	.8589
Mississippi	.8020
Missouri	.8297
Montana	.8701
Nebraska	.7426
Nevada	1.0178
New Hampshire	1.0318
New Jersey [1]	
New Mexico	.9293
New York	.8716
North Carolina	.8503
North Dakota	.8326
Ohio	.9145
Oklahoma	.8592
Oregon	.9562
Pennsylvania	1.0329
Rhode Island [1]	
South Carolina	.8087
South Dakota	.7873
Tennessee	.7876
Texas	.8123
Utah	.8261
Vermont	.8774
Virginia	.8519
Washington	.9498
West Virginia	.9182
Wisconsin	.8302
Wyoming	.9565

[1] All counties within the State are classified urban.

Special treatment of certain facilities

The law provides for certain exceptions and adjustments to the prospective payment rates as follows:

Sole community hospitals (SCH's)

The law requires the Secretary to apply a special formula for SCH's, which are hospitals that (by reason of factors such as isolated locations, weather conditions, travel conditions, or absence of other hospitals) are the sole source of inpatient services reasonably available in a geographic area. SCH's will be paid indefinitely on the same basis as all other hospitals will be paid in the first year of the transition period: 25 percent of the payment will be based on regional DRG rates and 75 percent on each hospital's cost base. During the transition period, SCH's may also receive an additional payment amount if, due to circumstances beyond their control, they experience a decrease of more than 5 percent in their number of inpatient cases.

Cancer hospitals

The law authorizes the Secretary to provide for exceptions and adjustments to the prospective payment amounts appropriate for hospitals involved extensively in treatment for and research on cancer. The regulations define a cancer hospital as one which: (1) was recognized by the National Cancer Institute as a comprehensive cancer center or a clinical cancer research center as of April 20, 1983, (2) demonstrates that the entire facility is organized primarily for treatment of and research on cancer, and (3) has a patient population such that at least 50 percent of the hospital's total discharges have a principal diagnosis that reflects a finding of neoplastic disease. Cancer hospitals meeting these criteria will be paid on a reasonable cost basis.

Regional and national referral centers

The law authorizes the Secretary to provide exceptions and adjustments appropriate for regional and national referral centers (including those with 500 or more beds located in rural areas). The regulations define such hospitals as: (1) those located in rural areas and having 500 or more beds, or (2) those having at least 50 percent of their medicare patients referred from other hospitals or physicians not on the staff; these hospitals must also have at least 60 percent of the medicare patients residing more than 25 miles from the hospital and at least 60 percent of the services furnished to medicare beneficiaries who live 25 miles or more from the hospital. During the first year of the transition period, hospitals meeting the first definition (rural hospitals with 500 or more beds) will be paid according to the prospective payment rates using urban rather than rural rates. The regulations indicate that the Health Care Financing Administration (HCFA, which administers the medicare program) will determine whether any adjustments may be appropriate for other referral centers beginning with the second year of the transition period.

Public or other hospitals with many low-income patients or medicare beneficiaries

The law authorizes the Secretary to provide for exceptions and adjustments to the prospective payment rates to take into account the needs of hospitals that serve a significantly disproportionate number of low-income patients or medicare beneficiaries. The regulations indicate that special payment provisions have not been made for these hospitals because current data do not show that such adjustment is warranted. The regulations indicate that the adjustment will be added if further study shows that an adjustment is appropriate.

Hospitals excluded from the prospective payment system

The following hospitals are by law excluded from the prospective payment system and will be paid on the basis of reasonable costs, subject to the TEFRA rate of increase limits: psychiatric hospitals, rehabilitation hospitals, psychiatric or rehabilitation units which are distinct parts of a hospital, children's hospitals (with patients averaging under 18 years of age), long-term hospitals (with an average inpatient length of stay greater than 25 days), and hospitals outside the 50 States and the District of Columbia. By regulation, alcohol/drug treatment hospitals and units meeting specified criteria are excluded until October 1, 1985.

Hospitals reimbursed under approved State cost control systems in accordance with medicare demonstration projects are also excluded from the prospective rates. In addition, the regulations indicate that there are special cases where the prospective payment system is inappropriate and will not be applied, such as for emergency services provided to medicare beneficiaries in hospitals not participating in medicare, Veterans' Administration hospital services provided to medicare beneficiaries, and hospital services provided to medicare beneficiaries who belong to health maintenance organizations or competitive medical plans (such organizations may choose to have the Secretary pay hospitals directly for such services or may negotiate their own rates with hospitals).

Administrative and judicial review

Administrative and judicial appeals will be allowed under procedures and authorities already established under the medicare program. However, the law precludes administrative and judicial review of: (1) the "budget neutrality" adjustment (see above), and (2) the DRG payment amounts, including the establishment of DRG's, the methodology for classifying discharges within DRG's, and the DRG weighting factors.

Review activities

The law requires that, before October 1, 1984, hospitals receiving medicare payments must enter into agreements with organizations known as utilization and quality control peer review organizations (PRO's), if there is a PRO in the area that has contracted with the Secretary. PRO's are responsible for reviewing the necessity and reasonableness of care, the quality of care, and the appropriateness of the setting in which services are provided to medicare beneficiaries. (Under current practice, until a PRO contract is awarded in an area, the review of hospital services may be conducted by an existing professional standards review organization (PSRO) or by the hospital's fiscal intermediary—the organization designated by HCFA to perform hospital-related administrative activities for the medicare program.) After October 1, 1984, hospitals are required to contract with PRO's as a condition of receiving payments under the medicare program. Specifically, PRO reviews will cover hospital admission patterns, length of stays, transfers, services furnished in outlier cases, the validity of diagnostic information, and the quality of a hospital's services. In addition to the PRO activities, HCFA was required by TEFRA to establish a hospital admissions pattern monitoring plan. If HCFA or a PRO determine that a hospital is engaged in unacceptable admissions, medical, or other practices, HCFA may deny medicare payments to the hospital or may require the hospital to take corrective action.

Nonphysician services furnished to hospital inpatients

Prior to Public Law 98-21, payments for nonphysician services (in such areas as radiology, laboratory, physical therapy, prosthetics) provided to medicare beneficiaries who were hospital inpatients were made sometimes to the hospital under part A of medicare on a reasonable cost basis and sometimes to an outside supplier of the service under part B of medicare on the basis of reasonable charges. The practice of billing under part B for services provided to hospital inpatients has been known as the "unbundling" of part A services. Public Law 98-21 provides that, effective October 1, 1983, for all hospitals participating in the medicare program (including those under prospective payment, excluded hospitals, and those reimbursed as demonstrations or State cost control systems), all nonphysician services provided to hospital inpatients will be paid only as hospital services under the part A program.

The law provides authority for the Secretary to waive this requirement during the transition period to allow billing under part B for hospitals that had such extensive billings under part B prior to October 1, 1982, that compliance with the new requirement would threaten the stability of patient care. The regulations provide for an exception to the "unbundling" requirement for the inpatient hospital services of anesthetists, such as certified registered nurse anesthetists (CRNA's). For hospital cost reporting periods beginning before October 1, 1986, if a physician (usually an anesthesiologist) employed CRNA's on the last day of the hospital's most recent cost reporting period ending before September 1, 1983, then the physician could continue to bill the medicare program for the CRNA's services under part B of medicare. If the physician chooses to continue such part B billing during the transition period, the hospital may not add the costs of the CRNA's services to its base period costs for purposes of determining the hospital-specific portion of its DRG payment rates.

State cost control systems

Section 1886(c) of the Social Security Act (as added by TEFRA) authorized the HHS Secretary at his/her discretion to reimburse hospitals in a State according to the State's hospital reimbursement control system rather than according to medicare's reimbursement methods if the State requests this change and if HHS determines that the State system meets certain requirements. Currently four States have waivers to operate their own systems: Maryland, Massachusetts, New Jersey, and New York.

Public Law 98-21 added two more requirements for State systems related to reimbursement to health maintenance organizations or competitive medical plans, charges to medicare beneficiaries for payment amounts denied by the medicare program because of improper hospital admissions or medical practices, and nonphysician services provided to hospital inpatients from payment under part B of medicare. The Secretary is prohibited from denying a State waiver because the State's system is based on a payment methodology other than DRG's or from requiring that medicare expenditures under the State's system be less than the expenditures which would have been made under the Federal prospective payment system.

The Secretary is required to approve any State system which meets certain requirements in addition to the conditions mentioned above. The Secretary is required to respond within 60 days to waiver requests from States meeting all requirements.

State systems approved under this authority will be excluded from the prospective payment system. The regulations indicate that regulations implementing section 1886(c) of the Social Security Act will be published in the Federal Register at a later date. As of January 1, 1984, these regulations had not yet been published.

Prospective Payment Assessment Commission

Public Law 98-21 requires the Director of the Congressional Office of Technology Assessment (OTA) to appoint by April 1, 1984, a commission of 15 independent experts, known as the Prospective Payment Assessment Commission. The Commission is required to review the percentage increase used to update the DRG payment rates for fiscal years 1984 and 1985 and make recommendations to the Secretary on the appropriate percentage change for fiscal years beginning with 1986. In addition, the Commission must: (a) consult with and make recommendations to the Secretary on the need for adjustments to the DRG classifications, the methodology for classifying specific hospital discharges within the DRG's, and weighting factors for the DRG's, and (b) report to Congress its evaluation of any adjustments which the Secretary makes.

REIMBURSEMENT FOR CAPITAL-RELATED EXPENSES

Present law provides that capital-related costs (including depreciation, interest, rent and, in the case of proprietary entities, a return on equity) are to be excluded from the prospective payment system until October 1, 1986. Until that time, capital costs continue to be reimbursed on a reasonable cost basis. Public Law 98-21 directs the Secretary of Health and Human Services to conduct a study and, within 18 months after enactment of that law, to report to Congress on methods and proposals under which capital costs, including the return on equity capital, may be included in the prospective payment system.

Public Law 98–21 also provides that, if no legislation is enacted prior to October 1, 1986 regarding inclusion of capital-related costs in the prospective payment system, no payment can be made for capital costs unless a State has a capital expenditure review agreement with the Secretary (under Sec. 1122 of the Social Security Act) and the State has recommended approval of the expenditure. The conference report on Public Law 98–21 also states that, if the Secretary has implemented a system of prospective payments for capital-related costs (without any further action by Congress) and the mandatory section 1122 approval process goes into effect, the Secretary must make adjustments to the payment rates to reflect capital-related costs not approved under section 1122. Public Law 98–21 expresses the intent of Congress that, when including capital-related costs under the prospective payment system, new capital projects for which expenditures are made on or after the effective date of the implementation of the prospective payment system may be reimbursed differently from projects begun before that date.

Reimbursable capital expenses include:

Depreciation

Depreciation is that amount which represents the portion of an asset's cost which is allocable to a period of operation. Depreciation accounting is a system of accounting which prorates the cost or other basic value of a tangible capital asset less salvage value (if any) over its estimated useful life.

An appropriate allowance for depreciation on buildings and equipment used to render care covered by medicare is reimbursable as a capital cost. Depreciation is based on the "historical," i.e., original, cost of the asset except that special rules apply in the case of assets acquired prior to 1966. The program recognizes depreciation on assets in use at the time the provider enters the program even though such assets have been fully or partially depreciated on the provider's books. A depreciation allowance is also permitted on assets that are used in a normal standby or emergency capacity or for assets financed by public funds.

In general, the useful life of an asset is based on the useful-life guidelines published by the American Hospital Association or the Internal Revenue Service. Generally, options for straight-line depreciation (which provides a uniform allowance each year) and accelerated depreciation (which permits a larger writeoff in the initial years) are permitted for assets acquired before August 1970; only straight line and (within limits) declining balance depreciation (which is one form of accelerated depreciation) are recognized for assets acquired at a later date. Reevaluation of assets is permitted where a change of ownership has occurred but not in cases involving acquisition of stock. Special rules apply with respect to gains or losses resulting from disposal of assets.

Medicare does not require the funding of depreciation; that is, the provider is not required to set aside the amount allowed for depreciation for replacement of the asset. However, as an incentive for funding, investment income on funded depreciation is not treated as a reduction in allowable interest expense.

Public Law 97-34, the Economic Recovery Act of 1981, made a number of changes in the calculation of depreciation for tax purposes. However, the law excludes medicare (and other programs administered by HHS) from the new depreciation rules for purposes of determining cost reimbursement under the program.

Interest

Necessary and proper interest on current and capital indebtedness is included as reimbursable capital cost under medicare. Generally, current indebtedness represents short-term loans for working capital for normal operating expenses. Capital indebtedness represents long-term loans in which the funds are used for acquiring facilities and equipment or making capital improvements.

To be recognized as an allowable cost, interest must be incurred on funds needed to satisfy the financial needs of the hospital and must be for a purpose reasonably related to patient care. The rate of interest may not be in excess of what a prudent borrower would have had to incur in the money market in an arms-length transaction. The interest must be paid to a lender not related through control, ownership, or personal relationship to the borrowing organization.

Generally, allowable interest expenses are reduced by investment income except where such income is from: (1) gifts, grants and endowments, whether restricted or unrestricted; (2) funded depreciation; (3) a provider's qualified pension fund; or (4) deferred compensation funds.

Return on equity capital of proprietary hospitals

A reasonable return on equity capital invested and used in providing patient care is an allowable cost for proprietary providers. Equity capital is the net worth of a provider excluding those assets and liabilities not related to patient care. Specifically equity capital includes: (1) a provider's investment in plant, property, and equipment (net of depreciation) related to patient care, plus funds deposited by a provider who leases such items where such deposit is required by the lease; and (2) net working capital maintained for necessary and proper operation of patient care activities.

The base amount of equity capital to be used in computing the allowable return is the average investment of the owners during a reporting period. The rate of return (for cost reporting periods on or after April 20, 1983) is equal to the rate of interest paid by the Federal Treasury on the assets of the Federal Hospital Insurance Trust Fund.

REIMBURSEMENT TO PHYSICIANS

Under part B, physicians and other suppliers of services may choose on a bill-by-bill basis whether or not to accept an "assignment" under the terms of which they will be bound by the program's reimbursement policies. Reimbursement is made based upon "reasonable charges" for covered services. The reasonable charge for a specific service, in the absence of unusual medical complications, or certain other circumstances, is the lowest of: (a) the physician's "customary charge" for the service, (b) the "prevailing charge" for that service in the area, or (c) the physician's actual charge. Further, the law provides that the "reasonable charge" for a service may not exceed the charge applicable for a comparable service under comparable circumstances to the policyholders or subscribers of the "carriers" which administer the part B program.

The physician's "customary charge" for a service is the uniform amount which he charges in the majority of cases for a specific medical procedure or service.

A "prevailing charge" is the upper limit in a locality on the charges for a specific procedure. Carriers base their "prevailing charge" screens on the overall pattern of customary charges in the locality. The prevailing limit on the reasonable charge for a specific service is set at a level no higher than is necessary to cover the 75th percentile of customary charges.

"Customary" and "prevailing" charge screens are updated every July 1 and are based on charge data developed by the carrier for the prior calendar year.

Allowable increases in "prevailing charge" screens are further subject to an economic index limitation which is applied nationally and is based on the weighted average of changes in general earnings levels and changes in expenses of the kind incurred by physicians in office practice. The economic index values promulgated to date are shown in table 5.

TABLE 5.—ECONOMIC INDEX VALUES AND PERCENTAGE INCREASE OVER PRIOR PERIOD

Period	Rates	Percent [1]
July 1, 1973	1.000	....
July 1, 1975 to June 30, 1976	1.179	[2] 17.90
July 1, 1976 to June 30, 1977	1.276	8.23
July 1, 1977 to June 30, 1978	1.357	6.35
July 1, 1978 to June 30, 1979	1.426	5.08
July 1, 1979 to June 30, 1980	1.533	7.50
July 1, 1980 to June 30, 1981	1.658	8.15
July 1, 1981 to June 30, 1982	1.790	7.96
July 1, 1982 to June 30, 1983	1.949	8.88
July 1, 1983 to June 30, 1984	2.063	5.85

[1] Percent increase over prior period.

[2] Large increase due to delay in implementation.

Thus, if the prevailing charge for a particular service was $100 in fiscal year 1973, the maximum recognized prevailing charge would be $206.30 for July 1, 1983–June 30, 1984.

EXAMPLES OF "REASONABLE CHARGE" DETERMINATIONS

Situation: The prevailing charge for a specific procedure is $100 in a certain locality.

—Dr. A's bill is for $75, although he customarily charges $80.

—Dr. B's bill is his customary charge of $85.

—Dr. C's bill is for $90, although he customarily charges $80, and there are no special circumstances in the case.

—Dr. D's bill is his customary charge of $125.

The reasonable charge for Dr. A is $75, since under the law the reasonable charge cannot exceed the actual charge, even if it is lower than the customary charge and below the prevailing charge.

The reasonable charge for Dr. B is $85, because it is his customary charge and it does not exceed the prevailing charge for the locality.

The reasonable charge for Dr. C is $80, because that is his customary charge. Even though his actual charge falls below the prevailing charge, the reasonable charge cannot exceed his customary charge in the absence of special circumstances.

The reasonable charge for Dr. D is $100, the prevailing charge in the locality.

DEFINITION OF "ASSIGNMENTS"

Payment for physician services under medicare is made by the Part B carrier either to the doctor or to the beneficiary depending upon whether or not the physician has accepted assignment for the claim. In the case of nonassigned claims, payment is made directly to the beneficiary on the basis of an itemized bill, paid or unpaid. The beneficiary is responsible for the deductible and coinsurance amounts plus any difference between the physician's actual charge and the medicare-determined reasonable charge. Alternatively the beneficiary may assign (i.e., transfer) his rights to payment to the physician provided the physician is willing to accept medicare's reasonable charge determinaiton as the full charge for covered services. If the physician accepts assignment, he bills the program directly and is paid medicare's charge less any deductible and the coinsurance. He may not charge the beneficiary (nor can he collect from another party such as a private insurer) more than the applicable deductible and coinsurance amounts.

A physician may accept or refuse requests for assignments on a bill-by-bill basis, from different patients at different times, or from the same patient at different times. However, he is precluded from "fragmenting" bills for the purpose of circumventing reasonable charge limitations; he must either accept assignment or bill the patient for all of the services performed on one occasion. Additionally, when a physician treats a patient who is eligible for medicaid, he is essentially required to accept assignment. Total reimbursement for services provided to these dual eligibles is generally equivalent to the medicare-determined reasonable charge with medicaid picking up the required deductible and coinsurance amounts.

When a physician accepts assignment, the beneficiary is protected against having to pay any difference between medicare's determined reasonable charge and the physician's actual charge. Further, the patient never has to handle the paperwork in connection with the claim (though many doctors will do this for the patient in the case of non-assigned as well as assigned claims). However, only about half of medicare's claims are paid on an assignment basis. In the remaining cases, the beneficiary is liable for any difference between the actual charge and the medicare determined reasonable charge.

ASSIGNMENT RATE EXPERIENCE

The total number of assigned claims as a percentage of total claims received by medicare carriers is known as the total assignment rate. The net assignment rate is computed in the same manner except that it omits hospital-based physicians and group-practice prepayment plans which are considered assigned by definition. The net assignment rate has declined since 1968, the year the Department of Health, Education, and Welfare (now the Department of Health and Human Services) began reporting this data. Since 1977, the rate appears to have leveled off at about 50 percent. Very recently the rate has increased slightly. Table 6 shows the net assignment rates for calendar years 1968–82.

TABLE 6.—NET ASSIGNMENT RATES, BY YEAR, 1968–82

[In percent]

Calendar year	Net assignment rate
1968	59.0
1969	61.5
1970	60.8
1971	58.5
1972	54.9
1973	52.7
1974	51.9
1975	51.8
1976	50.5
1977	50.5
1978	50.6
1979	51.3
1980	51.5
1981	52.3
1982	53.0

Sources: Ferry, Thomas P., et al. Physicians Charges Under Medicare: Assignment Rates and Beneficiary Liability. Health Care Financing Review. Winter 1980. p. 50; and Department of Health and Human Services, Health Care Financing Administration, Bureau of Program Operations, Part B Carrier Workload Report: June 1982; December 1982; and conversation with HCFA officials.

The statistics included in table 6 are program-wide data. Net assignment rates also vary geographically. For example, in 1969 the net assignment rate ranged from a high of 73.7 percent in the Boston region to a low of 48.7 percent in the New York region. By 1981, the net assignment rate had declined in every region except two.

However, the 1982 rate reflected slight increases over the 1981 rates in 7 out of the 10 regions of the country.

TABLE 7.—NET ASSIGNMENT RATES, BY REGION, 1969, 1981, AND 1982

[In percent]

Region	1969[1]	1981[2]	1982[3]	Change	
				1969–82	1981–82
Boston	73.7	66.9	67.3	−8.7	0.6
New York	48.7	54.0	55.8	14.6	3.3
Philadelphia	57.3	62.5	63.7	11.2	1.9
Atlanta	58.8	53.2	53.7	−8.7	.9
Chicago	54.5	48.8	49.7	−8.8	1.8
Dallas	71.1	52.0	53.0	−25.5	1.9
Kansas City	63.8	40.2	40.7	−36.2	1.2
Denver	73.0	38.0	37.3	−48.9	−1.8
San Francisco	70.5	53.2	53.0	−24.8	−.4
Seattle	64.8	30.5	29.9	−53.9	−2.0

[1] Department of Health, Education, and Welfare, Social Security Administration, Office of Research and Statistics. DHEW Pub. No. (SSA) 72-11702, HI-33, January 10, 1972. p. 6.

[2] Department of Health and Human Services, Health Care Financing Administration, Bureau of Program Operations, Analysis of Medicare Part B Assignment Rates: Calendar year 1981. n.d.

[3] Conversation with official in Health Care Financing Administration.

REASONABLE CHARGE REDUCTIONS

These limitations have been accompanied by a substantial increase in the reasonable charge reduction rate—i.e., the percentage of claims for which the physician receives a reduced payment, because his billed charge is greater than the reasonable charge determined by the carrier. During the third quarter of 1969, the reasonable charge reduction rate for assigned claims stood at about 22 percent.[1] This meant that about one in five approved assigned claims resulted in a payment to a physician of an amount less than his billed charges. For fiscal year 1982, the reasonable charge reduction rate among assigned claims (excluding those from hospital-based physicians) had reached 83.1 percent. In other words, over four-fifths of all assigned claims resulted in reduced payments for billed charges. On the average the reduction amounted to $29.32 per approved claim. Physicians who do not accept assignment are not affected by possible reductions in payments for billed charges because the beneficiary is liable for the difference. The reasonable charge reduction rate for unassigned claims (excluding those from hospital-based physicians) during fiscal year 1982 was also sizeable—85.6 percent. The amount reduced per approved claim was $28.10 [2] (see table 8).

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[1] Department of Health, Education, and Welfare, Social Security Administration, Office of Research and Statistics. Assignment Rates for Supplementary Medical Insurance Claims, Calendar Years 1970–72. DHEW Pub. No. (SSA) 78-11702, HI-46, June 30, 1973, p. 7.

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[2] Department of Health and Human Services, Health Care Financing Administration, Bureau of Program Operations. Part B Carrier Reasonable Charge and Denial Activity Report: July-September 1982; January 1983.

TABLE 8.—REASONABLE CHARGE REDUCTIONS FOR MEDICARE PART B (EXCLUDES CLAIMS FROM HOSPITAL-BASED PHYSICIANS AND GROUP-PRACTICE PREPAYMENT PLANS) FOR ASSIGNED AND NOT ASSIGNED CLAIMS, FISCAL YEARS 1973–1982

	1973	1974	1975	1976	1977	1978	1979	1980	1981 [1]	1982 [1]
Percentage of claims reduced:										
Assigned	51.5	61.0	68.3	73.1	72.8	73.4	75.8	80.0	82.7	83.1
Not Assigned	63.5	70.6	75.6	78.4	77.1	77.2	79.9	83.7	85.7	85.6
Percentage reduction in charges for covered services:										
Assigned	11.4	13.0	16.4	19.0	19.4	19.8	20.8	22.5	23.9	24.3
Not Assigned	12.4	13.6	16.6	18.8	19.1	19.1	20.3	22.3	23.7	24.1
Amount reduced per approved claim:										
Assigned	$6.95	$8.24	$11.13	$13.74	$14.93	$16.11	$18.34	$21.81	$25.84	$29.32
Not Assigned	$9.34	$10.44	$13.45	$15.75	$16.53	$16.76	$18.64	$21.96	$25.13	$28.10

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[1] Data excludes Texas Blue Shield.

Source: Department of Health and Human Services, Health Care Financing Administration, Bureau of Program Operations, Part B Reasonable Charge and Denial Activity Report: Fiscal year 1982, August 1983.

MEDICARE EXPENDITURES FOR PHYSICIANS' SERVICES

Total expenditures for physicians' services provided to the aged rose from $2.3 billion in fiscal year 1968 to $14.2 billion in fiscal year 1981. Although expenditures for covered medicare services declined from 89.6 percent to 76.4 percent of the total over the period, the amount actually reimbursed by the program has remained relatively constant accounting for approximately 55 percent of expenditures for physicians' services. The portion attributable to beneficiary payments for deductibles and coinsurance declined from 32.3 percent to 20.8 percent over the period. This is primarily attributable to the fact that the deductible remained fixed at $60 from 1973 through 1981.

Counterbalancing the declining percentage that deductibles represent of total physicians' expenditures is the significant increase in the percentage attributable to "noncovered services" to program enrollees. The percentage of the total attributable to these items rose from 7.2 percent of the total in fiscal year 1968 to 21.9 percent in fiscal year 1981. Noncovered services to program eligibles is defined in table 9 as including both reasonable charge reductions for nonassigned claims and uncovered services. Recent data is not available on the distribution of expenditures between these two categories. However, earlier data shows that the percentage of total expenditures for reasonable charge reductions for nonassigned claims rose from 2.2 percent in fiscal year 1968 to 9.6 percent in fiscal year 1976; the percentage attributable to noncovered services rose from 5.0 percent to 6.4 percent over the same period. The portion of expenditures for persons not enrolled in the program declined slightly from 3.2 percent in fiscal year 1968 to 1.7 percent in fiscal year 1981. Table 9 shows the distribution of total expenditures for physicians' services for the aged for selected fiscal years.

TABLE 9.—EXPENDITURES FOR PHYSICIANS' SERVICES FOR THE AGED: AMOUNTS (AND PERCENTAGE DISTRIBUTION) COVERED AND NOT COVERED BY MEDICARE, SELECTED FISCAL YEARS, 1968–1981

[Dollars in millions]

Physicians' services covered and not covered by medicare	1968		1970		1975		1980		1981	
	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent
Total	$2,307	100.0	$2,803	100.0	$4,905	100.0	$11,713	100.0	$14,157	100.0
Covered physicians' services	2,068	89.6	2,477	88.4	4,071	83.0	9,141	78.0	10,813	76.4
Medicare reimbursements	1,322	57.3	1,619	57.8	2,726	55.6	6,559	56.0	7,866	55.6
Beneficiary payments for:										
Deductibles	421	18.2	460	16.4	678	13.8	942	8.0	981	6.9
Coinsurance	325	14.1	398	14.2	667	13.6	1,640	14.0	1,966	13.9
Noncovered physicians' services	239	10.4	326	11.6	834	17.0	2,572	22.0	3,344	23.6
Services to enrollees	166	7.2	268	9.6	730	14.9	2,363	20.2	3,096	21.9
Reasonable charge reductions for unassigned claims	50	2.2	126	4.5	415	8.5	N.A.	....	N.A.	....
Services not covered	116	5.0	142	5.1	315	6.4	N.A.	....	N.A.	....
Services to those not enrolled	73	3.2	58	2.1	104	2.1	209	1.8	248	1.7

Note: Totals may not add due to rounding.

Sources: Gibson, Robert M. and Charles R. Fischer, "Age Differences in Health Care Spending, Fiscal year 1977," in Social Security Bulletin, January 1979, vol. No. 1, p. 16, and HCFA, unpublished tables.

APPENDIX E. BRIEF EXPLANATION OF MEDICAID PROGRAM AND INTERACTION WITH AFDC, SSI, AND MEDICARE PROGRAMS

Medicaid

Medicaid, authorized under title XIX of the Social Security Act, is a Federal-State matching program providing medical assistance for low-income persons who are aged, blind, disabled, or members of families with dependent children. Within Federal guidelines, each State designs and administers its own program. Thus there is substantial variation among the States in terms of persons covered, types, and scope of benefits offered, and amounts of payments for services. Public Law 97-35, the "Omnibus Budget Reconciliation Act of 1981," authorized reductions in Federal payments to the States over the fiscal year 1982-84 period and provided States with increased flexibility in designing and modifying their programs.

Medicaid eligibility is directly linked to eligibility under programs within the jurisdiction of the Committee on Ways and Means, namely AFDC and SSI. Further, some poor aged persons are covered under both the medicare and medicaid programs.

ELIGIBILITY

Eligibility for medicaid is linked to actual or potential receipt of cash assistance under the federally assisted aid to families with dependent children (AFDC) program and the Federal supplemental security income (SSI) program for the aged, blind, and disabled; there are two classes of eligibility under medicaid: categorically needy and medically needy.

CATEGORICALLY NEEDY

All States[1] cover the categorically needy under their medicaid programs. In general, these are persons receiving assistance under AFDC or SSI. States have the option of limiting medicaid coverage of SSI recipients by requiring them to meet any more restrictive eligibility criterion that was in effect on January 1, 1972 (before implementation of SSI). States choosing the more restrictive criteria must allow applicants to deduct medical expenses from income in determining eligibility. Fourteen States currently employ more restrictive criteria.

These States are:

Connecticut
Hawaii
Illinois
Indiana
Minnesota
Missouri
Nebraska
New Hampshire
North Carolina
North Dakota
Ohio
Oklahoma
Utah
Virginia

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[1] Arizona does not operate a traditional Medicaid Program. Beginning October 1, 1982, it began implementation of a 3-year demonstration project under which a specified set of services will be provided to the indigent on a prepaid basis.

States may also cover additional persons as categorically needy; these include persons receiving State supplement SSI payments (SSP) or persons who would be eligible for cash assistance except that they are residents in medical institutions (such as skilled nursing facilities).

States must extend medicaid eligibility to aged, blind, and disabled persons who were eligible for medicaid in December 1973 as long as they meet the 1973 criteria; persons receiving mandatory State supplementary payments; persons who would be eligible for cash aid except for a State barrier disallowed by medicaid law; and persons actually receiving SSI and/or SSP payments who lose their eligibility for SSI or SSP solely because of a cost-of-living social security increase provided they would otherwise still be eligible for such aid. Medicaid coverage must also be extended for 4 additional months to certain families whose AFDC cash assistance has been terminated provided they had received AFDC for at least 3 of the preceding 6 months; this extension only applies to families whose AFDC coverage has been terminated due to increased income from or hours of employment.

Automatic medicaid coverage for poor families is linked to the receipt of AFDC cash assistance, thereby restricting coverage for certain persons. This occurs in part because AFDC assistance is available only to families where one parent is absent, incapacitated, or in certain States, unemployed. To receive AFDC, a family must also meet a cash assistance standard established by each State. In addition, States are not permitted to provide AFDC cash assistance to first-time pregnant women during the first two trimesters of their pregnancy; the provision of cash assistance in the third trimester is optional.

Although many poor women and children may not qualify for AFDC and therefore automatic medicaid coverage, they may receive medical care if their State takes advantage of one of several options available to expand medicaid categorical coverage. For example, States may extend medicaid coverage to first-time pregnant women from the time the pregnancy is medically verified. The State may extend coverage to two-parent families where one parent is employed (even if such families are ineligible for AFDC in the State). States may also cover all or specified categories of children under age 18 (or, at State option, age 21), providing they meet the AFDC cash assistance standards. For example, States may cover children in foster care or subsidized adoptions.

Forty-one States and territories cover first-time pregnancies from the time the pregnancy is medically verified. Twenty-five States and territories cover unemployed families under both AFDC and medicaid, while an additional four provide medicaid but no cash assistance to this population group. Nineteen States and territories extend coverage to poor pregnant women not otherwise meeting AFDC requirements, e.g., they are in families where both parents work. Twenty-three cover poor children living in such families. All State medicaid programs provide coverage for at least one category of children under either age 18, 19, or 21.

MEDICALLY NEEDY

States may also cover the medically needy under their medicaid programs. These are persons whose income is slightly in excess of the standards for cash assistance, provided that: (1) they are aged, blind, disabled, or members of families with dependent children, and (2) their income (after deducting incurred medical expenses) falls below the State standard. As of December 1, 1983, 34 States and jurisdictions provided medically needy coverage. These States are:

Arkansas
California
Connecticut
Washington, D.C.
Guam
Hawaii
Illinois
Kansas
Kentucky
Louisiana
Maine
Maryland
Massachusetts
Michigan
Minnesota
Montana
Nebraska
New Hampshire
New York
North Carolina
North Dakota
Northern Mariana Islands
Oklahoma
Pennsylvania
Puerto Rico
Rhode Island
Tennessee
Utah
Vermont
Virgin Islands
Virginia
Washington
West Virginia
Wisconsin

Prior to enactment of Public Law 97-35, States having medically needy programs were required to offer comparable coverage to all four groups (that is, aged, blind, disabled, and members of families with children). Public Law 97-35 provides that, if a State offers medically needy coverage to any group, it must at a minimum provide ambulatory services to children and prenatal and delivery services for pregnant women.

MEDICARE-MEDICAID RELATIONSHIP

About 12 percent of aged and disabled medicare enrollees are also covered by State medicaid programs. While coverage under medicare part A (hospital insurance) is automatic for most aged and certain disabled having insured status under the social security system, coverage under medicare part B (physician services) requires the payment of a monthly premium. Most States make this payment for their medicaid eligibles under a buy-in agreement. While States may buy-in to medicare for both their cash-assistance and medically needy populations who are eligible for medicare, Federal matching for premium payments is only available for the cash assistance group. If a State does not buy-in to part B coverage, it cannot receive Federal matching payments for services that would have been covered under medicare if there had been a buy-in arrangement. Three States and two jurisdictions do not currently have a buy-in arrangement. These are: Louisiana, Oregon, Wyoming, Puerto Rico, and Northern Mariana Islands.

Medicaid basically supplements medicare for persons who are dually eligible. Medicare makes the primary payment while State medicaid expenditures are limited to payments for deductibles, coinsurance, and services not covered by medicare.

SERVICES

States are required to offer the following services to categorically needy recipients under their medicaid programs: inpatient and outpatient hospital services; laboratory and X-ray services; skilled nursing facility (SNF) services for those over age 21; home health services for those entitled to SNF care; early and periodic screening, diagnosis, and treatment (EPSDT) for those under age 21; family planning services and supplies; and physicians' services. They may also provide additional medical services such as drugs, intermediate care facility (ICF) services, eyeglasses, inpatient psychiatric care for individuals under age 21 or over 65. States are permitted to establish limitations on the amount of care provided under a service category (such as limiting the number of days of covered hospital care or number of physicians' visits).

Federal law, as amended by Public Law 97-35, establishes the following requirements for coverage of the medically needy: (1) if a State provides medically needy coverage to any group it must provide ambulatory services to children and prenatal and delivery services for pregnant women; (2) if a State provides institutional services for any medically needy group it must also provide ambulatory services for this population group; and (3) if the State provides medically needy coverage for persons in intermediate care facilities for the mentally retarded (ICF/MRs), it must offer to all groups covered in its medically needy program the same mix of institutional and noninstitutional services as required under prior law (that is, either all of the mandatory services or alternatively the care and services listed in 7 of the 17 paragraphs in the law defining covered services).

FINANCING

The Federal Government helps States share in the cost of medicaid services by means of a variable matching formula which is periodically adjusted. The matching rate, which is inversely related to a State's per capita income, can range from 50 percent to 83 percent though currently the highest rate is 77.63 percent. Federal matching for the territories is set at 50 percent with a maximum dollar limit placed on the amount each territory can receive. The Federal share of administrative costs is 50 percent for all States except for certain items where the authorized rate is higher.

Public Law 97-35 provided that the amount of Federal matching payments to which a State is otherwise entitled is to be reduced by 3 percent in fiscal year 1982, 4 percent in fiscal year 1983, and 4.5 percent in fiscal year 1984. A State can lower the amount of its reduction by 1 percentage point for each of the following: (1) operating a qualified hospital cost review program; (2) sustaining an unemployment rate exceeding 150 percent of the national average; and (3) demonstrating recoveries from fraud and abuse activities (and with respect to fiscal year 1982, third-party recoveries) equal to 1 percent of Federal payments.

A State is entitled to a dollar-for-dollar offset in its reductions if total Federal medicaid expenditures in a year fall below a specified target amount. In no case can the amount recovered exceed the total amount of reductions. In fiscal year 1982, the target amount was equal to 109 percent of the State's estimates for fiscal year 1981. In fiscal year 1983 and fiscal year 1984, the target amounts are equal to the fiscal year 1982 target increased or decreased by the same percentage as the increase or decrease in the index of the medical care component of the Consumer Price Index over the same period. For fiscal year 1983, the percentage increase is 7.5 percent. The reduction and offset provisions do not apply to the territories or to Arizona.

REIMBURSEMENT POLICY

States have considerable leeway in setting reimbursement levels for services. They are required to reimburse hospitals, skilled nursing facilities, and intermediate care facilities at rates that are reasonable and adequate to meet the cost which must be incurred by efficiently and economically operated facilities in order to meet applicable laws and quality and safety standards. In developing their payment rates for hospitals, States are required to take into account the situation of facilities which serve a disproportionate number of low-income patients. Further, hospital payment rates must be sufficient to assure that medicaid patients have reasonable access to services of adequate quality.

Practitioners and providers are required to accept payments under the program as payment in full for covered services except where nominal cost-sharing charges may be required. States may generally impose such charges with certain exceptions. They are precluded from imposing such charges on services for children under 18, services related to pregnancy, family planning or emergency services, HMO services for the categorically needy, and services provided to SNF or ICF inpatients who are required to spend all of their income for medical care except for a personal needs allowance.

ADMINISTRATION

Medicaid is a State-administered program. At the Federal level, the Health Care Financing Administration (HCFA) of the Department of Health and Human Services is responsible for overseeing State operations.

Federal law requires that a single State agency be charged with administration of the medicaid program. Generally, that agency is either the State welfare agency, the State health agency, or the umbrella human resources agency. The single State agency may contract with other State entities to conduct some program functions. Further, States may process claims for reimbursement themselves or contract with fiscal agents or health insuring agencies to process these claims.

PROGRAM DATA

Federal medicaid outlays are estimated (in the absence of legislative changes) at $22.3 billion in fiscal year 1985, a 10.1 percent increase over the $20.2 billion estimated for fiscal year 1984.

The primary factor contributing to program increases has been inflation, particularly inflation in medical care prices. Changing recipient caseloads, and utilization as well as in the intensity of services have also contributed to past increases in program costs. However, this trend has been moderated somewhat as States have made cutbacks in their programs both in response to the Federal reductions authorized under Public Law 97-35 and to their own fiscal concerns.

RECENT LEGISLATIVE CHANGES

Public Law 97-35 made a number of significant changes in the medicaid program. It provided for reductions in Federal matching payments over the fiscal years 1982-84 period. At the same time, it included a number of provisions designed to give States increased latitude in the design and administration of their programs, including modifying hospital reimbursement requirements, permitting competitive bidding for laboratory services and medical devices, authorizing agreements with prepaid entities other than federally qualified health maintenance organizations, and modifying requirements for medically needy programs. Of particular significance were two provisions authorizing the Secretary to grant States "freedom-of-choice" and "home and community-based services" waivers under certain circumstances. Under freedom-of-choice waivers, States may place certain restrictions on where beneficiaries may obtain certain non-emergency care; they may be directed to lower cost providers and/or have their care monitored under a case management arrangement. Under a home and community-based services waiver, States may provide coverage for a range of services pursuant to an individual plan of care to persons who would otherwise require institutional services.

As of December 31, 1983, 24 States had applied for freedom-of-choice waivers. Of the 73 applications made, 34 had been approved, 13 disapproved, 15 withdrawn, and 11 were pending. Twenty-three of the 34 approved requests involve case management and 8 restrict the provider from whom beneficiaries may obtain services. As of December 31, 1983, 47 States had submitted 108 home and community based services requests. Of these, 66 had been approved, 30 were pending, 6 were withdrawn, and 6 were disapproved.

Public Law 97-35 made some changes in AFDC eligibility criteria. Changes in the treatment of earnings and other income and resources forced many persons not only off the AFDC rolls but also off automatic medicaid coverage. Some persons may be able to regain protection under certain conditions.

Public Law 97-248 (TEFRA) made some additional (though not as far-reaching amendments) to medicaid. The legislation modified existing cost-sharing requirements and expanded States' authority to impose property liens under certain circumstances.

CBO has estimated that Federal medicaid outlays over the fiscal years 1982-85 period have been reduced $3.9 billion compared to what would otherwise have been spent in the absence of these legislative changes. This figure represents a 5-percent reduction in total Federal program outlays over the period.

TABLE 1.—MEDICAID FEDERAL AND STATE EXPENDITURES UNDER CURRENT LAW FOR FISCAL YEARS 1983, 1984, AND 1985

[In millions of dollars]

	Fiscal year 1983 (estimate)	Fiscal year 1984 (estimate)	Fiscal year 1985 (estimate)
Payments for medical services:			
Federal	18,049	19,222	21,082
State	15,279	17,359	19,434
Administrative cost:			
Federal	936	1,015	1,198
State	692	686	700
Total:			
Federal	18,985	20,237	22,280
State	15,971	18,045	20,134
Total program	34,956	38,282	42,414

Source: 1985 President's Budget Appendix, and HCFA officials.

TABLE 2.—MEDICAID RECIPIENTS, FISCAL YEARS 1983, 1984 AND 1985

[In thousands]

	Fiscal year 1983 (estimate)	Fiscal year 1984 (estimate)	Fiscal year 1985 (estimate)
Recipients:			
Age 65 and over	3,237	3,292	3,324
Blind and disabled	2,813	2,861	2,911
Adults in AFDC families	5,336	5,449	5,479
Children under 21	9,532	9,718	9,811
Other	1,406	1,385	1,398
Unduplicated total	22,324	22,705	22,924

Source: 1985 President's Budget Appendix, and HCFA officials.

TABLE 3.—MEDICAID PAYMENTS FOR CATEGORICALLY NEEDY AND MEDICALLY NEEDY, PRELIMINARY ESTIMATES, FISCAL YEAR 1982

	Amount (in millions)	Percent
Categorically needy:		
Receiving cash payments	$16,203.2	54.4
Aged	2,741.4	9.2
Blind	121.8	0.4
Disabled	6,627.9	22.3
Children in AFDC families	3,056.4	10.3
Adults in AFDC families	3,655.6	12.3
Not receiving cash payments	5,396.2	18.1
Aged	3,530.0	11.9
Blind	26.9	0.1
Disabled	1,457.1	4.9
Children in AFDC families	140.0	0.5
Adults in AFDC families	111.7	0.4
Other title XIX recipients	130.3	0.4
Total, categorically needy	21,599.4	72.5
Medically needy:		
Aged	4,582.2	15.4
Blind	25.2	0.1
Disabled	2,410.7	8.1
Children in AFDC families	335.0	1.1
Adults in AFDC families	376.8	1.3
Other title XIX recipients	457.4	1.5
Total, medically needy	8,187.3	27.5
Total	29,786.7	100.0

Note: Totals may not add due to rounding.

Source: Health Care Financing Administration (HCFA), DHHS, unpublished tables.

TABLE 4.—MEDICAID PAYMENTS BY BASIS OF ELIGIBILITY, PRELIMINARY ESTIMATES, FISCAL YEAR 1982

	Amount (in millions)	Percent	Average payment per recipient
Aged	$10,853.6	36.4	$3,349
Blind	174.0	0.6	2,072
Disabled	10,495.7	35.2	3,770
Dependent children under 21	3,531.5	11.9	381
Adults in families with dependent children	4,144.2	13.9	817
Other	587.8	2.0	750
Total	29,786.7	100.0	1,463

Note: Totals may not add due to rounding.

TABLE 5.—MEDICAID PAYMENTS BY SERVICE CATEGORY, FISCAL YEAR 1982

	Amount (in millions)	Percent
Inpatient hospital	$8,819.8	29.6
General	(7,788.7)	(26.1)
Mental [1]	(1,031.0)	(3.5)
Skilled nursing facilities	4,382.7	14.7
Intermediate care facilities [1]	8,586.6	28.8
Facilities for mentally retarded [1]	(3,608.7)	(12.1)
Other [1]	(4,977.9)	(16.7)
Physician	2,107.3	7.1
Dental [1]	503.9	1.7
Other practitioner [1]	225.9	0.8
Outpatient hospital	1,512.6	5.1
Clinic [1]	411.3	1.4
Lab and X-ray	161.3	0.5
Home health	495.5	1.7
Prescribed drugs [1]	1,599.1	5.4
Family planning	134.1	0.5
Early and periodic screening	71.5	0.2
Rural health clinic	3.6	(*)
Other [2]	771.3	2.6
Total	29,786.7	100.0

[1] Optional services.

[2] Predominantly optional services.

* Less than 0.1.

Note: Totals may not add due to rounding.

TABLE 6.—AVERAGE EXPENDITURE PER RECIPIENT FOR CATEGORICALLY NEEDY PERSONS WHO ARE ALSO RECEIVING AN SSI OR AFDC PAYMENT, BY BASIS OF ELIGIBILITY, BY STATE, PRELIMINARY ESTIMATES, FISCAL YEAR 1982

[In dollars]

State	Total	SSI aged	SSI blind	SSI disabled	AFDC child	AFDC adult
United States	976	1,468	1,679	3,023	373	840
Alabama	757	769	1,152	1,557	290	763
Alaska	1,117	1,985	2,807	3,740	339	935
Arkansas	959	1,074	1,677	2,176	254	668
California	807	799	1,460	2,087	321	795
Colorado	1,511	2,531	14,986	6,119	333	955
Connecticut	572	1,008	2,167	1,975	339	783
Delaware	851	2,069	829	3,090	353	734
District of Columbia	1,564	4,034	2,901	4,164	672	1,481
Florida	781	1,013	1,348	1,787	290	661
Georgia	997	1,068	1,565	2,309	326	922
Hawaii	749	1,781	2,098	3,476	340	856
Idaho	571	786	617	1,532	360	729
Illinois	934	2,183	2,340	3,537	429	923
Indiana	1,123	3,662	2,708	5,324	303	1,002
Iowa	1,048	1,608	1,464	4,154	395	910
Kansas	1,091	2,038	1,928	4,860	413	943
Kentucky	715	795	1,215	1,718	250	650
Louisiana	1,099	1,351	1,995	2,932	355	863
Maine	776	1,269	1,217	2,214	301	734

Maryland	887	1,845	1,688	2,818	407	857
Massachusetts	1,076	1,736	1,314	4,276	413	772
Michigan	758	1,787	2,385	3,336	316	881
Minnesota	1,293	3,862	4,465	8,362	384	812
Mississippi	612	845	1,081	1,340	259	563
Missouri	533	807	914	1,181	323	667
Montana	933	1,762	3,005	2,972	318	841
Nebraska	1,182	2,592	4,103	4,064	426	814
Nevada	1,620	1,226	2,236	5,916	521	1,104
New Hampshire	543	583	1,019	1,634	258	452
New Jersey	869	2,179	1,897	3,140	377	807
New Mexico	875	895	3,090	2,277	334	853
New York	1,571	2,844	1,853	5,308	563	1,050
North Carolina	867	1,266	2,113	2,502	325	699
North Dakota	1,141	2,645	1,468	2,780	566	808
Ohio	912	2,519	2,085	3,565	385	943
Oklahoma	840	1,685	1,585	2,480	240	456
Oregon	625	2,255	1,300	1,419	346	665
Pennsylvania	958	2,530	1,618	3,466	309	691
Rhode Island	898	3,024	2,571	1,885	321	667
South Carolina	693	871	1,127	1,635	202	643
South Dakota	1,376	1,849	1,676	4,487	441	813
Tennessee	936	980	1,471	1,845	461	817
Texas	1,219	1,293	1,927	3,317	352	1,041
Utah	1,176	2,723	3,362	6,303	317	919
Vermont	1,001	1,604	1,337	3,996	307	627

TABLE 6.—AVERAGE EXPENDITURE PER RECIPIENT FOR CATEGORICALLY NEEDY PERSONS WHO ARE ALSO RECEIVING AN SSI OR AFDC PAYMENT, BY BASIS OF ELIGIBILITY, BY STATE, PRELIMINARY ESTIMATES, FISCAL YEAR 1982—Continued

[In dollars]

State	Total	SSI aged	SSI blind	SSI disabled	AFDC child	AFDC adult
Virginia	988	1,757	1,839	2,831	318	812
Washington	480	914	1,110	4,246	374	838
West Virginia	1,087	827	989	1,012	210	458
Wisconsin	861	1,940	4,841	4,503	454	855
Wyoming		1,728	474	2,827	364	869

Source: HCFA, DHHS, unpublished tables.

Section 5. OASDHI Financing

OVERVIEW

This section presents a discussion of social security financing, divided into 4 main parts: current law; a brief history of the financing structure, including a discussion of the impact of indexing and of the 1977 and later amendments; the status of the OASDHI (old age, survivors, disability, and hospital insurance) trust funds under four alternative economic scenarios over the period from 1984 to 1989; and a brief discussion of the long-term financial status of OASDHI funds.

CURRENT LAW FINANCING

The social security programs (OASDHI) are financed through the payroll tax and from income taxes paid on social security benefits on a pay-as-you-go basis; that is, current income to the system goes out directly to meet current benefit obligations. Any funds collected in excess of the amount needed to make benefit payments are held in the trust funds as reserves, and are invested in Government securities. These reserves serve as a cushion against temporary shortfalls in revenues or large increases in outlays due to economic fluctuations; the reserves also provide interest revenues to the trust funds.

Trust fund income is dependent on the amount of wages covered by social security on which contributions are made according to the payroll tax rate for each year. Benefit outlays are made under a permanent appropriation, in the amount to which beneficiaries are entitled based on their earnings records, and are not limited to the amount of revenue flowing into the trust fund from contributions and interest. If, as has occurred in recent years, yearly income is insufficient to cover benefit payments, reserve funds are used to make up the difference. Appendix I contains a detailed discussion of changes made in the Social Security Amendments of 1983 to insure adequate financing of social security benefits and to provide automatic adjustments in the cost of living benefit increase dependent on the level of trust fund reserves.

The payroll tax (known as FICA, or Federal Insurance Contributions Act) is levied on wages in employment covered by social security, with portions of the total tax rate allocated by law to each of the three trust funds (OASI, DI and HI). All persons who work in covered employment pay this mandatory tax on their earnings up to a maximum dollar amount (known as the contribution and benefit base, or earnings base). Employers pay an equal tax rate for these workers. Beginning in 1984 self-employed workers pay social security taxes that are equivalent to the combined employer-employee rate and receive a partial credit against that tax. Under current law, as of January 1984, the tax paid by both the employer and employee is 7.0 percent of the first $37,800 of earnings (self-employed persons pay 14.00 percent). An automatic credit of 0.3 percent for employees is applied against the 1984 tax rate, so that the amount withheld from wages in 1984 is 6.7 percent. Future increases in the tax rates are set in the law, while increases in the earnings base are automatic, based on the increase in average wages in the economy (excluding self-employment earnings) each year. Table 1 summarizes the current payroll tax schedule:

TABLE 1.—CURRENT LAW SOCIAL SECURITY PAYROLL TAX RATES FOR EMPLOYERS AND EMPLOYEES EACH AND TAXABLE EARNINGS BASES, BY INDIVIDUAL AND COMBINED TRUST FUNDS, 1977 AND AFTER

Calendar year	Employee and employer rates, each (percent)					Taxable earnings base
	OASI	DI	OASDI combined	HI	OASDHI combined	
1977	4.375	0.575	4.950	0.900	5.850	$16,500
1978	4.275	.775	5.050	1.100	6.050	17,700
1979	4.330	.750	5.080	1.050	6.130	22,900
1980	4.520	.560	5.080	1.050	6.130	25,900
1981	4.700	.650	5.350	1.300	6.650	29,700
1982	4.575	.825	5.400	1.300	6.700	32,400
1983	4.775	.625	5.400	1.300	6.700	35,700
1984	5.200	.500	5.700	1.300	[1] 7.000	[2] 37,800
1985	5.200	.500	5.700	1.350	7.050	[2] 39,300
1986–87	5.200	.500	5.700	1.450	7.150	[3] 40,800
1988–89	5.530	.530	6.060	1.450	7.510	([4])
1990–99	5.600	.600	6.200	1.450	7.650	([4])
2000 and after	5.490	.710	6.200	1.450	7.650	([4])

[1] A tax credit of 0.3 percent of taxable wages will be allowed against the tax paid by employees, so that the effective employee withholding rate for 1984 will be 6.7 percent.

[2] Automatic increase based on statutory formula and Intermediate II–B assumptions, 1983 trustee's report.

[3] Automatic increase for 1986 only.

[4] Subject to automatic increase.

TABLE 2.—CURRENT LAW SOCIAL SECURITY PAYROLL TAX RATES FOR SELF-EMPLOYED INDIVIDUALS, BY INDIVIDUAL AND COMBINED TRUST FUNDS, 1980–90

Calendar year	OASI	DI	OASDI combined	HI	OASDHI combined
1980	6.2725	0.7775	7.05	1.05	9.30
1981	7.0250	0.9750	8.00	1.30	9.30
1982–83	6.8125	1.2375	8.05	1.30	9.35
1984	10.4000	1.0000	11.40	2.60	[1] 14.00
1985	10.4000	1.0000	11.40	2.70	[1] 14.10
1986–87	10.4000	1.0000	11.40	2.90	[1] 14.30
1988–89	11.0600	1.0600	12.12	2.90	[1] 15.02
1990–99	11.2000	1.2000	12.40	2.90	15.30
2000 and after	10.9800	1.4200	12.40	2.90	15.30

[1] Before tax credits.

In 1940, approximately 24 million persons worked in employment covered by the social security system. Over the years, major categories of workers were brought under the system, such as State and local government employees (on a voluntary basis), regularly employed farm and domestic workers, members of the armed services, and self-employed professionals such as physicians and lawyers. In 1982, over 116 million workers and 95 percent of all jobs in the United States were covered under social security. The present law social security earnings base, as revised by the 1977 Amendments and updated automatically according to wage increases in the economy, provides that about 90 percent of all covered earnings are taxable.

While coverage is compulsory for most types of employment, approximately 8 million jobs were exempt from coverage under social security. The majority of these noncovered positions were and still are in the Federal Government, whose employees have not generally been allowed to participate in social security and in State and local governments. Beginning January 1, 1983, Federal employees were covered under the medicare portion of the social security tax, and as of January 1, 1984, all new Federal employees will be covered under the OASDI portion as well. About 70 percent of State and local government jobs (10 million out of 14.8 million jobs), and about 80 percent of nonprofit organization jobs were covered by social security as of 1981. Beginning January 1, 1984, all employees of nonprofit organizations were covered, and no terminations of social security coverage by State government entities are allowed. (See Appendix I for a discussion of the Social Security Amendments of 1983 which included these changes (see table 3).) Table 4 shows State-by-State data on State and local government jobs covered as of March 1980.

TABLE 3.—SOCIAL SECURITY COVERAGE, 1981

[In millions]

Occupational group	Number of employees	Covered [1]	
		Number	Percent
Specifically exempt from OASI coverage:			
Federal Civilian employees	3.5	0.5	[2] 15.4
Voluntary coverage:			
State and local government	14.8	10.1	68.2
Nonprofit organization	6.8	5.3	78.8
Mandatorily covered:			
Industry and commerce	77.2	77.0	99.7
Farm [3]	2.2	1.6	74.6
Domestic [3]	2.0	.6	28.1
Self-employed [3]	9.0	6.8	75.5

[1] Data on covered employment are based upon class of worker of major job determined by highest amount of taxable wages, employed over the year 1981.

[2] Federal employees who are temporary or who work for quasi-Federal agencies such as TVA are covered.

[3] Mandatorily covered if special minimum coverage requirements met. Special minimum requirements for coverage generally relate to amount of wages earned—for example, domestic employees must receive at least $50 from one employer during a calendar quarter for those wages to be covered.

Source: Office of Research, Statistics, and International Policy, Social Security Administration.

TABLE 4.—ESTIMATES OF SOCIAL SECURITY COVERAGE OF STATE AND LOCAL GOVERNMENT JOBS, MARCH 1980

[Number in thousands]

State [1]	Number of jobs	Number of jobs covered	Percent covered
Total	13,364	9,327	70
1. California	1,421	573	40
2. New York	1,097	1,025	93
3. Texas	812	435	54
4. Illinois	638	243	38
5. Ohio	602	0	0
6. Pennsylvania	572	552	97
7. Michigan	559	511	91
8. Florida	528	449	85
9. New Jersey	435	435	100
10. North Carolina	359	329	92
11. Georgia	356	272	76
12. Massachusetts	339	0	0
13. Virginia	316	316	100
14. Wisconsin	311	257	82
15. Indiana	306	267	87
16. Minnesota	275	188	68
17. Missouri	270	204	76
18. Maryland	262	241	92
19. Tennessee	257	221	86

TABLE 4.—ESTIMATES OF SOCIAL SECURITY COVERAGE OF STATE AND LOCAL GOVERNMENT JOBS, MARCH 1980—Continued

[Number in thousands]

State [1]	Number of jobs	Number of jobs covered	Percent covered
20. Washington	252	248	98
21. Louisiana	249	39	16
22. Alabama	226	226	100
23. Oklahoma	188	159	85
24. Colorado	187	44	24
25. Kentucky	187	126	68
26. Iowa	185	178	96
27. South Carolina	184	176	96
28. Oregon	175	158	90
29. Connecticut	165	93	57
30. Arizona	164	140	85
31. Kansas	164	147	90
32. Mississippi	150	150	100
33. Arkansas	125	119	95
34. Nebraska	115	107	93
35. West Virginia	113	105	93
36. New Mexico	89	69	78
37. Utah	89	79	89
38. Maine	70	24	34
39. Idaho	59	57	97
40. Hawaii	58	42	72
41. Montana	57	49	85
42. New Hampshire	54	49	90
43. Rhode Island	52	39	74
44. North Dakota	52	39	74
45. South Dakota	48	42	87
46. Nevada	47	3	6
47. Wyoming	42	34	83
48. Alaska	36	17	46
49. Delaware	35	23	66
50. Vermont	30	28	92

[1] States are ranked by number of jobs.

Source: Research and Statistics Note No. 5, Dec. 7, 1983, Office of Research, Statistics and International Policy.

HISTORY OF FINANCING STRUCTURE

Current cost funding

The social security system has been financed from its inception on a "pay-as-you-go" basis; i.e., current income to the system pays for current benefits. If the system were to be "advance funded" (i.e., reserves adequate to pay all benefits to which current workers and beneficiaries are entitled), an enormous amount of capital would have to be held by the trust funds in the form of public or private debt obligations. It has been thought preferable to avoid having the Federal Government hold such large amounts of public or private capital; therefore, financing has been provided through congressionally approved payroll tax increases from time to time based on projections of the current revenues needed to meet current benefit costs. While such projections covered periods of 50 to 75 years into the future, they typically did not envision tax increases going into effect until they were actually needed to meet the immediate benefit expenditures of the time. Table 5 provides a summary of major past increases in tax rates in the program.

TABLE 5.—SELECTED TAX TABLE AND WAGE BASE INCREASES, 1937–84

	Wage base	Contribution rate (percent) employer/employee each			
		Total	OASI	DI	HI
1937	$3,000	1.0	1.0		
1950	3,000	1.5	1.5		
1955	4,200	2.0	2.0		
1959	4,800	2.5	2.25	0.25	
1966	6,600	4.2	3.5	.35	0.35
1970	7,800	4.8	3.65	.55	.60
1974	13,200	5.85	4.375	.575	.90
1978	17,700	6.05	4.275	.775	1.00
1979	22,900	6.13	4.33	.75	1.05
1981	29,700	6.65	4.525	.825	1.30
1982	32,400	6.70	4.575	.825	1.30
1984	37,800	[1] 7.00	5.200	.500	1.30

[1] Employees receive tax credit of 0.3 percent.

Impact of indexing benefit structure

In 1972, Congress approved both a major one-time OASDI benefit increase of 20 percent and a new system for increasing OASDI benefits automatically each year according to increases in the cost of living, beginning in 1975. Before this method of automatic indexing was enacted, benefit increases were approved on an ad hoc basis, and financing was reexamined each time to assure revenues were adequate to meet benefit payments. In fact, financing was based on conservative estimates of the general performance of the economy—a "level-earnings" methodology, which assumed that the only future increase in revenues to the trust fund would come from growth in total covered wages resulting from having more workers in the economy as the population increased.

This methodology repeatedly produced unplanned surpluses under existing tax rates, as the economy expanded and the level of wages increased at the same time as the total number of workers increased. The financing of the expansion of benefits and benefit levels throughout the 1960's was largely based on these projections of surpluses in the funds.

With the advent of indexation of OASDI benefits, it became necessary to base projections of trust fund experience on dynamic economic assumptions; i.e., assuming increases in inflation and wage levels in order to reflect more accurately the future rise in benefit levels and the wage base that would occur automatically. Retaining the old system of static economic assumptions could have resulted in underestimating program costs and revenues. However, use of dynamic assumptions in conjunction with a fully indexed benefit structure means that projections of program experience are much more difficult to make accurately, because the benefit levels and trust fund income as well as every set of economic assumptions are highly sensitive to changing economic conditions, particularly near-term fluctuations.

Compounding this difficulty in predicting economic patterns was an unintended effect of the way automatic benefit increases were applied to existing and new benefits, which caused benefits to increase much more rapidly, in comparison to pre-retirement earnings, than had been anticipated. Thus, at the same time as the economy was performing more poorly than had been predicted, it was realized that benefits would rise with the automatic provisions more rapidly than anticipated. Beginning with its report of 1973, the Social Security Board of Trustees repeatedly forecast an adverse financial situation for the program both in the near term (late 1970's and early 1980's) and the long run, i.e., until the middle of the next century. The short-term forecast of the 1977 Trustees' Report showed DI fund reserves falling to zero in late 1978, and OASI reserves being used up by 1983; the same report showed a long-term deficit for OASDI (over the 75-year period) of 8.2 percent of taxable payroll, which represented an average shortfall in revenues of more than 40 percent of the costs of the program.

Effect of the 1977 amendments

As a result of these projections the Congress enacted the 1977 amendments, which improved forecasts of the financial condition of the program significantly. At the time of enactment, the Social Security actuaries projected that the OASDI program would be in a surplus position through the next 25-year period. The improved short-run outlook was brought about by legislated changes on the revenue side, estimated at that time to add some $80 billion in new revenues to the OASDI programs in the 1978–83 period, as well as changes in benefits resulting in net reductions of outgo of $7.5 billion during that same period.

The revenue increases were the result of: (1) ad hoc increases in the taxable earnings base above the increases that would have occurred automatically; (2) a reallocation to OASDI of a portion of the already scheduled increases in the HI tax rate; (3) increases in the overall OASDI tax rate beginning in 1979; and (4) increases in the self-employment tax rate bringing it up to 1½ times the employee rate. The principal benefit changes affecting outgo included (among other provisions): (1) revamping of the OASDI benefit formula to eliminate overcompensation for inflation in the future—referred to as the "decoupling" provisions; (2) correction of a major technical flaw in computing benefit increases for early retirees; and (3) elimination of retroactive benefits in cases where reduced benefits would result. According to the estimates at the time the 1977 amendments were adopted, the amendments improved the long-range financial condition by reducing the projected deficit to 1.46 percent of taxable payroll, only a fraction of the 8.2 percent deficit projected before the amendments.

While the 1977 amendments included major future tax increases and a 25-percent reduction in future benefits, the full effect of these changes was delayed until 1981 and later. (For example, from 1978 through 1980, less than $17 billion in new revenues were realized as a result of the 1977 amendments, mainly from the ad hoc increases in the wage base, since the major tax increases were scheduled for 1981 and later.) At the time the amendments were enacted, it was known that the safety margin provided in the early years would not be very great, but the system at that point had reserves of $40 billion, which were thought to be sufficient to insure benefit payments until the additional revenues from the major tax increases could be realized.

However, economic conditions since 1977 proved to be substantially worse than previously predicted, as indicated in table 6; each percentage point in the CPI increase costs the trust funds about $1.5 billion, so that the 1980 increase alone cost about $13 billion more than predicted. As a result, benefit increases raised trust fund outlays beyond expectations at precisely the time real wages were declining and unemployment was increasing, so that revenues did not keep pace with outlays. During this period, therefore, trust fund reserves as a percentage of yearly benefit outlays declined.

TABLE 6.—COMPARISON OF ESTIMATED AND ACTUAL KEY ECONOMIC INDICATORS, 1977 FORECAST [1]

[Key economic indicators (in percent)]

Calendar year	CPI increase		Real wage differential		Unemployment rate	
	Estimated	Actual	Estimated	Actual	Estimated	Actual
1977	6.0	6.5	2.4	0.4	7.1	7.0
1978	5.4	7.6	2.7	0.5	6.3	6.0
1979	5.3	11.5	2.5	−2.7	5.7	5.8
1980	4.7	13.5	2.4	−4.9	5.2	7.1
1981	4.1	10.3	2.3	−1.6	5.0	7.6

[1] The 1977 forecast was based on the intermediate set of assumptions in the 1977 trustees' report.
Source: Ways and Means Committee Print, 96–75.

Impact of the 1980, 1981, and 1982 amendments

Tables 7 and 8 show the effects of legislation from 1980 to 1982 on the financial status of the social security programs.

TABLE 7.—ORIGINAL SHORT-RANGE ESTIMATES OF REDUCTION IN OASDI AND HI BENEFIT PAYMENTS DUE TO AMENDMENTS OF 1980, THE OMNIBUS RECONCILIATION ACT OF 1981, AND THE TAX EQUITY AND FISCAL RESPONSIBILITY ACT OF 1982

[In billions]

Calendar years	Estimates of net reduction in benefit payments, made at time of enactment, resulting from each set of amendments [1]			
	1980 amendments [2]	1981 reconciliation	1981 minimum benefit restoration bill	1982 Tax Act
1981	$0.2	$0.1		
1982	.7	3.5	−$0.9	
1983	1.1	4.7	−1.3	$0.8
1984	1.4	5.8	−1.3	1.9
1985	1.8	6.4	−1.3	3.7
1986	2.2	6.9	−1.3	4.7

[1] Figures do not add across because the assumptions underpinning each set of amendments were different from one another. In addition, these estimates were made at the time of enactment and have not been individually re-evaluated since that time. Negative figures represent increases in benefit payments.

[2] Figures represent the sums of the estimates made for Public Law 96–265 (the Social Security Disability Amendments of 1980), Public Law 96–473, and Public Law 96–499 (the Omnibus Reconciliation Act of 1980).

TABLE 8.—ADDITIONAL TAX INCOME IN 1982 TO 1990 TO THE OASDHI PROGRAMS DUE TO PUBLIC LAW 97–123, AND TAX EQUITY AND FISCAL RESPONSIBILITY ACT OF 1982

[In billions]

Calandar year	Additional tax income	
	Public Law 97–123	Tax Act of 1982
1982	$0.6	
1983	.7	$1.6
1984	.7	1.9
1985	.8	2.2
1986	.9	2.6
1987	1.0	2.8
1988	1.0	3.0
1989	1.1	3.3
1990	1.3	3.7
1980–1990	8.1	21.2

Note: Based on the 1982 Trustees' Report Intermediate (II–B) economic assumptions.

IMPACT OF THE SOCIAL SECURITY AMENDMENTS OF 1983

Tables 9 and 10 show the additional income and outlay reductions to the combined OASDI and HI trust funds respectively

under alternative II-B assumption. From 1983 to 1989, the actuaries estimate that the OASDI fund has additional financing of 166.2 billion as a result of the Social Security Amendments of 1983. The HI fund has additional financing of $33.6 billion.

TABLE 9.—ESTIMATED AMOUNTS OF CHANGES IN OASDI TAX INCOME, GENERAL FUND TRANSFERS, AND BENEFIT PAYMENTS THAT WILL RESULT FROM THE PROVISIONS IN PUBLIC LAW 98-21, BASED ON 1983 ALTERNATIVE II-B ASSUMPTIONS, CALENDAR YEARS 1983-89

[In billions of dollars]

Provision	Calendar year—							Total, 1983-89
	1983	1984	1985	1986	1987	1988	1989	
Increase tax rate on covered wages and salaries		8.6	0.3			14.5	16.0	39.4
Increase tax rate on covered self-employment earnings		1.1	3.1	3.0	3.2	3.7	4.4	18.5
Cover all Federal elected officials and political appointees		(1)	(1)	(1)	(1)	(1)	(1)	.1
Cover new Federal employees		.2	.7	1.2	1.8	2.4	3.1	9.3
Cover all nonprofit employees		1.3	1.5	1.8	2.1	2.6	3.0	12.4
Total for new coverage		1.5	2.2	3.0	3.9	5.0	6.1	21.8
Prohibit State and local government terminations		.1	.2	.4	.6	.8	1.1	3.2
Accelerate collection of State and local taxes		.6	(1)	(1)	.1	.1	.1	1.0
Modify general fund financing basis for non-contributory military service credits	18.4	−.4	−.4	−.3	−.4	−.4	−.4	16.1
Provide reimbursements from general fund for unnegotiated checks	1.3	.1	.1	.1	.1	.1	.1	1.6
Delay benefit increases 6 months	3.2	5.2	5.4	5.5	6.2	6.7	7.3	39.4
Continue benefits on remarriage		(2)	(2)	(2)	(2)	(2)	(2)	−.1
Modify indexing of deferred survivors' benefits			(2)	(2)	(2)	(2)	(2)	(2)
Raise disabled widow(er)'s benefits to 71.5 percent of PIA		−.2	−.2	−.2	−.2	−.3	−.3	−1.4
Pay divorced spouses whether or not worker has retired			(2)	(2)	(2)	(2)	(2)	−.1
Replace 90-percent factor in benefit formula with variable percentage, for individuals receiving pensions from noncovered employment				(3)	(3)	(3)	.1	.1
Offset spouses benefits by up to two-thirds of noncovered Government pension	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)
Expand use of death certificates to stop benefits	(3)	(3)	(3)	(3)	(3)	(3)	(3)	.1
Impose 5-year residency requirement for certain aliens			(3)	(3)	(3)	(3)	(3)	.1
Tax one-half of benefits for high income beneficiaries		2.6	3.2	3.9	4.7	5.6	6.7	26.6

TABLE 9.—ESTIMATED AMOUNTS OF CHANGES IN OASDI TAX INCOME, GENERAL FUND TRANSFERS, AND BENEFIT PAYMENTS THAT WILL RESULT FROM THE PROVISIONS IN PUBLIC LAW 98-21, BASED ON 1983 ALTERNATIVE II-B ASSUMPTIONS, CALENDAR YEARS 1983-89—Continued

[In billions of dollars]

Provision	Calendar year—							Total, 1983-89
	1983	1984	1985	1986	1987	1988	1989	
All other miscellaneous and technical changes	(2)	(2)	(2)	(2)	(2)	(2)	(2)	−.1
Total for all changes	22.8	19.2	13.9	15.3	18.0	35.8	41.2	166.2

[1] New additional taxes of less than $50 million.
[2] Additional benefits of less than $50 million.
[3] Reduction in benefits of less than $50 million.

Note: Estimates shown for each provision include the effects of interaction with all preceding provisions. Totals do not always equal the sum of components due to rounding. Positive figures represent additional income or reductions in benefits. Negative figures represent reductions in income or increases in benefits.

Source: Office of the Actuary, Social Security Administration.

TABLE 10.—ESTIMATED AMOUNTS OF CHANGES IN HI TAX INCOME, GENERAL FUND TRANSFERS, AND BENEFIT PAYMENTS THAT WILL RESULT FROM THE PROVISIONS IN PUBLIC LAW 98-21, BASED ON 1983 ALTERNATIVE II-B ASSUMPTIONS, CALENDAR YEARS 1983-89

[In billions of dollars]

Provision	Calendar year—							Total, 1983-89
	1983	1984	1985	1986	1987	1988	1989	
Provide for prospective hospital reimbursement [1]			0.2	2.0	3.6	5.2	7.0	18.0
Delay single reimbursement rate for nursing facilities	(2)	(2)						(2)
Reduce allowable return on equity	(3)	.1	.1	.1	.1	.1	.2	.7
Increase tax rate on covered self-employment earnings		.4	1.3	1.5	1.6	1.7	1.8	8.3
Cover all Federal elected officials and political appointees	(4)(4)	(4)	(4)	(4)	(4)	(4)	(4)	
Cover all nonprofit employees		.3	.4	.5	.5	.6	.7	3.0
Prohibit State and local government terminations		(4)	.1	.1	.1	.2	.3	.8
Accelerate collection of State and local taxes		.2	(4)	(4)	(4)	(4)	(4)	.2
Modify general fund financing basis for noncontributory military service credits	3.3	−.1	−.1	−.1	−.1	−.1	−.1	2.5
Total for HI changes	3.3	.8	1.9	4.1	5.9	7.8	9.8	33.6

[1] Savings attributable to prospective payments were computed as the additional savings which would be generated in fiscal year 1986 and later by eliminating the October 1985 sunset provision on the hospital rate-of-increase limits of sec. 101(b) of the Tax Equity and Fiscal Responsibility Act of 1982. The prospective payment legislation as pased by Congress does not mandate a system which would necessarily generate this level of savings. Instead, the level of prospective payment rates is left to the discretion of the Secretary of HHS.
[2] Additional benefit of less than $50,000,000.
[3] Reduction in provider reimbursement of less than $50,000,000.
[4] Net additional tax income of less than $50,000,000.

Note: Estimates shown for each provision include the effects of interaction with all preceding provisions. Totals do not always equal the sum of components due to rounding. Positive figures represent additional income or reductions in benefits. Negative figures represent reductions in income or increases in benefits.

Source: Office of the Actuary, Health Care Financing Administration.

Current Short-Range Status of the Trust Funds

An assessment of the status of the trust funds depends heavily on the economic assumptions underlying the estimates, because the level of revenue and benefit payments in the OASDHI system are so directly dependent on economic factors such as general inflation, increases in health care costs, and wage growth. Traditionally, the social security trustees have used three paths to estimate the short-range status of the trust funds: an optimistic, a pessimistic, and an intermediate path. In the 1982 and 1983 trustees' reports, an additional path was presented: an "intermediate II-A" which modifies the usual intermediate path to reflect the somewhat more optimistic economic outlook forecasted by the administration.

Table 11 summarizes the key economic assumptions contained in President Reagan's fiscal year 1984 budget and compares them with the assumptions underlying CBO's baseline 1984 forecast, and CBO's "high growth" and "low growth" forecasts. Tables 12 through 15 summarize the estimated operations of the OASDHI trust funds for the years 1983 through 1989 under these sets of assumptions. These tables reflect the enactment of the Social Security Amendments of 1983.

TABLE 11.—COMPARISON OF THE ECONOMIC ASSUMPTIONS UNDERLYING TRUST FUND PROJECTIONS BASED ON PRESIDENT REAGAN'S 1985 BUDGET AND CBO'S BASELINE JANUARY 1984 ESTIMATES

	1984	1985	1986	1987	1988	1989
Percent change in real GNP:						
President's budget	5.3	4.1	4.0	4.0	4.0	3.9
CBO baseline	5.4	4.1	3.5	3.5	3.4	3.3
CBO low growth	4.9	3.6	−0.9	2.1	3.8	3.1
CBO high growth	6.4	5.1	4.5	4.5	4.4	4.3
Unemployment rate:[1]						
President's budget	7.8	7.6	7.3	6.8	6.1	5.7
CBO baseline	7.8	7.3	7.0	6.8	6.6	6.5
CBO low growth	8.0	7.6	8.5	9.6	9.0	8.9
CBO high growth	7.7	6.8	6.3	5.9	5.6	5.2
Percent change in CPI:						
President's budget	4.4	4.6	4.5	4.2	3.9	3.6
CBO baseline	4.8	5.1	4.9	4.7	4.5	4.3
CBO low growth	4.8	5.0	4.5	3.2	2.4	2.0
CBO high growth	4.8	5.2	5.2	5.5	5.9	6.3

[1] These CBO rates are the civilian unemployment rate while the President's budget is for total unemployment. Generally, the rate is 0.1 percent lower than the civilian rate.

Source: Fiscal Year 1985 Budget, and Congressional Budget Office.

TABLE 12.—ESTIMATED OPERATION OF THE OASI, DI, HI AND OASDHI TRUST FUNDS BASED UPON PRESIDENT'S 1985 BUDGET ASSUMPTIONS

[In billions of dollars]

	Fiscal year—					
	1984	1985	1986	1987	1988	1989
Old age and survivors insurance:						
Outlays	160.7	171.9	184.8	198.7	212.8	226.6
Income	158.0	178.9	194.1	212.2	244.3	270.7
Year-end balance	24.0	30.9	38.2	43.7	67.7	111.8
Start-of-year balance (as percent of outlays)	22	21	23	26	28	37
Disability insurance:						
Outlays	18.5	18.7	19.6	20.5	21.6	22.8
Income	17.5	18.1	19.4	21.0	23.7	26.2
Year-end balance	4.3	3.7	3.5	4.1	11.3	14.7
Start-of-year balance (as percent of outlays) [1]	35	29	25	24	26	57
Combined OASI and DI:						
Outlays	179.2	190.6	204.4	219.2	234.3	249.4
Income	175.5	197.0	213.5	233.2	268.1	296.9
Year-end balance	28.3	34.6	41.8	47.7	79.1	126.6
Start-of-year balance (as percent of outlays) [1]	24	21	24	26	27	39
Hospital insurance:						
Outlays	44.9	52.0	56.3	62.4	68.9	75.8
Income	45.3	51.0	57.8	63.3	68.8	73.9
Year-end balance	14.1	13.1	16.5	25.4	27.7	25.8
Start-of-year balance (as percent of outlays)	31	27	23	26	37	37
Combined OASI, DI, and HI:						
Outlays	224.1	242.6	260.7	281.6	303.2	325.2
Income	220.8	248.0	271.3	296.5	336.8	370.9
Year-end balance	42.4	47.7	58.3	73.2	106.8	152.4
Start-of-year balance (as percent of outlays) [1]	25	23	24	26	30	39

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[1] Assets at beginning of year are defined for the OASI and DI trust funds as assets at end of prior year plus the respective OASI and DI advance tax transfers for October.

Source: Office of the Actuary, Social Security Administration and Office of the Actuary, Health Care Financing Administration.

TABLE 13.—ESTIMATED OPERATIONS OF THE OASI, DI, OASDI, HI, AND OASDHI TRUST FUNDS BASED UPON CBO 1985 BASELINE BUDGET ASSUMPTIONS

[In billions of dollars]

	Fiscal year—					
	1984	1985	1986	1987	1988	1989
Old age and survivors insurance:						
Outlays	163.1	174.0	186.4	200.1	214.5	229.1
Income [1]	160.5	184.2	200.6	211.6	242.4	267.1
Year-end balance	24.0	34.2	48.4	59.9	87.8	125.8
Start-of-year balance (as percent of outlays)	22.7	21.1	25.8	31.7	35.6	46.4
Disability insurance:						
Outlays	18.9	19.2	19.4	20.0	21.5	22.7
Income [1]	17.4	18.3	19.7	21.3	24.3	31.9
Year-end balance	3.8	2.9	3.2	4.5	7.5	16.7
Start-of-year balance (as percent of outlays) [2]	35.2	26.2	21.7	23.2	28.7	40.9
Combined OASI and DI:						
Outlays	182.0	193.2	205.8	220.1	235.8	251.8
Income [1]	177.9	202.5	220.3	232.9	266.6	299.1
Year-end balance	27.8	37.1	51.6	64.5	95.3	142.5
Start-of-year balance (as percent of outlays) [2]	24.0	21.6	25.4	30.9	35.0	45.9
Hospital insurance:						
Outlays	44.4	50.8	55.7	62.3	69.9	78.0
Income [1]	45.6	51.9	59.3	71.0	75.3	74.3
Year-end balance	14.9	16.0	19.6	28.3	33.7	30.0
Start-of-year balance (as percent of outlays) [2]	37.6	35.9	35.4	38.4	47.2	49.6
Combined OASI, DI, and HI:						
Outlays	226.4	244.0	261.5	282.3	305.7	329.8
Income [1]	223.5	254.4	279.6	303.9	341.9	373.4
Year-end balance	42.7	53.1	71.2	92.8	128.9	172.5
Start-of-year balance (as percent of outlays) [2]	26.7	24.6	27.5	32.6	37.8	46.8

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[1] Income to the trust funds is budget authority. It includes payroll tax receipts, interest on balances, and certain general fund transfers

[2] Table shows trust fund balances at the start of year as a percent of total outlays for year. The trust fund balance at the start of the year is higher than the balance at the end of the year by the amount of the normalized revenue transfers. Trust fund balances include any borrowed amounts from the other trust funds. Outlays follow OMB budget accounting methods, which include interest payments for the interfund borrowing and for normalized revenue transfers from the Treasury.

Source: Congressional Budget Office. Based on CBO's January 1984 baseline economic assumptions.

TABLE 14.—ESTIMATED OPERATIONS OF THE OASI, DI, OASDI, HI, AND OASDHI TRUST FUNDS BASED UPON CBO 1985 LOW GROWTH BUDGET ASSUMPTIONS

[In billions of dollars]

	Fiscal year—					
	1984	1985	1986	1987	1988	1989
Old age and survivors insurance:						
Outlays	163.1	174.0	186.4	199.6	211.1	217.4
Income [1]	160.3	183.2	195.9	196.0	220.1	235.4
Year-end balance	23.9	33.1	42.6	39.1	48.1	66.1
Start-of-year balance (as percent of outlays) [2]	22.7	21.0	25.1	28.4	25.7	29.8
Disability insurance:						
Outlays	18.9	19.2	19.4	20.0	21.1	21.8
Income [1]	17.4	18.2	19.3	19.9	22.1	28.8
Year-end balance	3.8	2.8	2.6	2.5	3.5	10.6
Start-of-year balance (as percent of outlays) [2]	35.2	26.1	21.1	20.0	18.7	23.4
Combined OASI and DI:						
Outlays	182.0	193.2	205.7	219.5	232.2	239.2
Income [1]	177.7	201.4	215.2	215.8	242.2	264.3
Year-end balance	27.7	35.8	45.3	41.6	51.6	76.7
Start-of-year balance (as percent of outlays) [2]	24.0	21.5	24.7	27.7	25.1	29.2
Hospital insurance:						
Outlays	44.5	50.7	55.3	60.3	65.4	70.7
Income [1]	45.5	51.6	58.0	66.7	69.6	66.5
Year-end balance	14.9	15.8	18.5	25.0	29.1	24.9
Start-of-year balance (as percent of outlays) [2]	37.6	35.8	35.3	37.5	44.9	47.7
Combined OASI, DI, and HI:						
Outlays	226.4	243.9	261.0	279.6	297.6	309.9
Income [1]	223.3	253.0	273.1	282.6	311.8	330.7
Year-end balance	42.5	51.6	63.8	66.5	80.7	101.6
Start-of-year balance (as percent of outlays) [2]	26.7	24.5	26.9	29.8	29.4	33.4

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[1] Income to the trust funds is budget authority. It includes payroll tax receipts, interest on balances, and certain general transfers.

[2] Table shows trust fund balances at the start of year as a percent of total outlays for year. The trust fund balance at the start of the year is higher than the balance at the end of the year by the amount of the normalized revenue transfers. Trust fund balances include any borrowed amounts from the other trust funds. Outlays follow OMB budget accounting methods, which include interest payments for the interfund borrowing and normalized revenue transfers from the Treasury.

Source: Congressional Budget Office. Based on CBO's January 1984 low growth economic assumptions.

TABLE 15.—ESTIMATED OPERATIONS OF THE OASI, DI, OASDI, HI, AND OASDHI TRUST FUNDS BASED UPON CBO 1985 HIGH GROWTH BUDGET ASSUMPTIONS

[In billions of dollars]

	Fiscal year—					
	1984	1985	1986	1987	1988	1989
Old age and survivors insurance:						
Outlays	163.1	174.0	186.5	200.6	216.4	233.9
Income [1]	161.1	187.3	206.6	222.2	261.1	297.3
Year-end balance	24.7	38.0	58.1	79.6	124.2	187.6
Start-of-year balance (as percent of outlays)	22.7	21.6	27.9	36.7	44.8	61.7
Disability insurance:						
Outlays	18.9	19.2	19.4	19.9	21.3	22.8
Income [1]	17.5	18.6	20.3	22.4	26.1	34.9
Year-end balance	3.9	3.3	4.2	6.7	11.5	23.5
Start-of-year balance (as percent of outlays) [2]	35.2	26.6	23.8	28.7	39.2	58.7
Combined OASI and DI:						
Outlays	182.0	193.2	205.9	220.5	237.7	256.8
Income [1]	178.6	205.8	226.9	244.6	287.2	332.1
Year-end balance	28.6	41.2	62.3	86.3	135.7	211.1
Start-of-year balance (as percent of outlays) [2]	24.0	22.1	27.5	36.0	44.3	61.5
Hospital insurance:						
Outlays	44.4	51.0	56.6	64.2	23.7	85.0
Income [1]	45.7	52.6	60.9	73.9	80.0	81.6
Year-end balance	15.1	16.7	21.0	30.7	37.0	33.5
Start-of-year balance (as percent of outlays) [2]	37.6	36.1	36.2	39.7	48.4	49.8
Combined OASI, DI, and HI:						
Outlays	226.4	244.2	262.4	284.8	311.4	341.8
Income [1]	224.3	258.5	287.8	318.4	367.2	413.7
Year-end balance	43.6	57.9	83.3	117.0	172.7	244.6
Start-of-year balance (as percent of outlays) [2]	26.7	25.0	29.4	36.8	45.3	58.6

[1] Income to the trust funds is budget authority. It includes payroll tax receipts, interest on balances, and certain general fund transfer.

[2] Table shows trust fund balances at the start of year as a percent of total outlays for year. The trust fund balance at the start of the year is higher than the balance at the end of the year by the amount of the normalized revenue transfers. Trust fund balances include any borrowed amounts from the other trust funds. Outlays follow OMB budget accounting methods, which include interest payments for the interfund borrowing and for normalized revenue transfers from the Treasury.

Source: Congressional Budget Office. Based on CBO's January 1984 high growth economic assumptions.

TABLE 16.—SUMMARY COMPARISON OF COMBINED OASDI AND OASDHI TRUST FUND BALANCES UNDER ALTERNATIVE ECONOMIC ASSUMPTIONS

[In billions of dollars]

End-of-year balances	Fiscal year—					
	1984	1985	1986	1987	1988	1989
Combined OASDI:						
Administration	28.3	34.6	41.8	47.7	79.1	126.6
CBO baseline	27.8	37.1	51.6	64.5	95.3	142.5
CBO low growth	27.7	35.8	45.3	41.6	51.6	76.7
CBO high growth	28.6	41.2	62.3	86.3	135.7	211.1
Hospital insurance:						
Administration	14.1	13.1	16.5	25.4	27.7	25.8
CBO baseline	14.9	16.0	19.6	28.3	33.7	30.0
CBO low growth	14.9	15.8	18.5	25.0	29.1	24.9
CBO high growth	15.1	16.7	21.0	30.7	37.0	33.5
Combined OASDHI:						
Administration	42.4	47.7	58.3	73.2	106.8	152.4
CBO baseline	42.7	53.1	71.2	92.8	128.9	172.5
CBO low growth	42.5	51.6	63.8	66.5	80.7	101.6
CBO high growth	43.6	57.9	83.3	117.0	172.7	244.6

TABLE 17.—SUMMARY COMPARISON OF COMBINED OASDI AND OASDHI TRUST FUND BALANCES AS A PERCENT OF OUTLAYS UNDER ALTERNATIVE ECONOMIC ASSUMPTIONS

[In billions of dollars]

Start-of-year balance (as percent of outlays) [1]	Fiscal year—					
	1984	1985	1986	1987	1988	1989
Combined OASDI:						
Administration	24	21	24	26	27	39
CBO baseline	24	22	25	31	35	46
CBO low growth	24	22	25	28	25	29
CBO high growth	24	22	28	36	44	62
Hospital insurance:						
Administration	31	27	23	26	37	37
CBO baseline	38	36	35	38	47	50
CBO low growth	38	36	35	37	45	48
CBO high growth	38	36	36	40	48	50
Combined OASDHI:						
Administration	25	23	24	26	30	39
CBO baseline	27	25	27	33	38	47
CBO low growth	27	25	27	30	29	33
CBO high growth	27	25	29	37	45	59

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[1] Table shows trust fund balances at the start of year as a percent of total outlays for year. The trust fund balance at the start of the year is higher than the balance at the end of the year by the amount of the normalized revenue transfers. Trust fund balances include any borrowed amounts from the other trust funds. Outlays follow OMB budget accounting methods, which include interest payments for the interfund borrowing and for normalized revenue transfers from the Treasury.

Status of OASDI trust fund

Under the President's budget as well as under all three sets of CBO assumptions, the combined OASDI trust funds will grow slowly during the first 4 years of the projection period, 1984–87. Beginning in 1988, when the second accelerated increase in the tax rates occurs, the trust funds are expected to grow more rapidly. Throughout the 1990's, and for some period into the next century, the favorable demographic pattern of a large baby-boom generation at peak earning years combined with the retirement of the relatively small generation born during the depression should insure large trust fund reserves.

For the combined OASDI funds, the trust fund ratio is estimated to increase from 11 percent at the beginning of 1983 to 24 percent at the beginning of 1984, under either the President's budget or CBO baseline assumptions. This increase includes, in the balance at the beginning of fiscal year 1984, the tax receipts for October 1984 which are to be transferred on the first day of the month under the provision for advance transfer of taxes to the trust funds. The advance tax transfers for October of each year 1984 and later are reflected in the trust fund ratios for OASI and DI because the transfers will be available for the payment of OASDI benefits which are due at the beginning of each month. Thus, this provision increases the projected trust fund ratios by about 7–8 percentage points, as compared with those under previous law.

It should be noted that the Social Security Amendments of 1983 contain a provision, the "stabilizer," which requires that benefit increases be based on the lower of the increase in average covered wages or in prices in any year in which the reserves at the beginning of the calendar year are below 15 percent. Under this methodology, according to preliminary estimates from the administration in November, there is some possibility that the reserves could be at or below 15 percent in January 1985. However, the most recent economic assumptions show wage increases in excess of price increases for the applicable measuring period, so that such a reserve level would not trigger a change in the benefit increase.

The amounts transferred to the OASI trust fund from the HI and DI trust funds in 1982 under the interfund borrowing authority provided by Public Law 97-123, which was signed into law on December 29, 1981 are shown in table 18. The amounts that are assumed to be repaid in each future year, in accordance with provisions in Public Law 98-21, are also shown. It should be noted that the outstanding loan amounts are included in the OASI trust fund balances (and reflected in the OASI trust fund ratios), while the amounts of outstanding loans from the DI trust fund are excluded from the DI trust fund balance (with such exclusion reflected in the DI trust fund ratios).

TABLE 18.—INTERFUND LOANS AND REPAYMENTS BY THE OASI, DI, AND HI TRUST FUNDS AS AMENDED BY PUBLIC LAW 98-21 BASED ON 1983 ALTERNATIVE II-B ASSUMPTIONS, CALENDAR YEARS 1982-89

[Dollar amounts in billions]

Calendar year	Interfund borrowing transfers [1]		
	OASI	DI	HI
1982	$17.5	−$5.1	−12.4
1983			
1984	−.3		.3
1985			
1986	−1.6		1.6
1987	−2.3		2.3
1988	−8.2		8.2
1989	−5.1	5.1	

[1] Positive figures represent amounts borrowed by the trust fund or recoveries of prior loans to other trust funds; negative figures represent amounts loaned by the trust fund or repayments of prior loans from other trust funds.

Status of the HI trust fund

The projections shown in tables 12-15 for the hospital insurance component of medicare are particularly uncertain after 1985 because of uncertainties concerning future hospital reimbursements. The Social Security Amendments of 1983 instituted a prospective reimbursement system for inpatient hospital services. For 1984 and 1985, the social security amendments gave explicit guidance concerning the setting of the DRG rates. After 1985, the DRG rates are to be set by the Secretary of Health and Human Services, advised by an independent commission.

The CBO baseline projections (shown in table 13) assume that hospital insurance expenditures, adjusted for increased admissions, will grow about 2.5 percent above the growth in the prices of hospital inputs in 1986 and beyond. This assumed growth rate incorporates not only future increases in DRG rates, but also increases in hospital expenditures not explicitly limited by the prospective system. The baseline assumes that the new system will moderate the hospital insurance growth rate, adjusted for admissions and input prices, by about 1 percent compared to recent experience.

Under the CBO baseline projections, from 1984 to 1989 outlays increase at an annual rate of 11.9 percent while income increases at an annual rate of 10.3 percent. This leaves a projected balance in the HI trust fund at the end of 1989 of $30.0 billion.

LONG RANGE STATUS OF THE TRUST FUNDS

OASDI trust funds

Because the social security program has been designed as a contributory system in which those who pay the taxes supporting it are considered to be earning the right to future benefits, Congress has traditionally required long-range estimates of the program's actuarial balance and has set future tax rates with a view to assuring that the income of the program will be sufficient to cover its outgo. Under current procedures, the long-range actuarial analysis of the cash benefits program covers a 75-year period—this would generally be long enough to cover the anticipated retirement years of those currently in the work force.

The long-range status of the social security trust funds is ordinarily expressed in terms of "percent of taxable payroll" rather than in dollar amounts. This permits a direct comparison between the tax rate actually in the law and the cost of the program. For example, if the program is projected to have a deficit of "1 percent of taxable payroll," this means that the social security tax rates now in the law would have to be increased by 0.5 percent points for employee and employer, each, in order to pay for the benefits due under present law. (Alternatively, the program could be brought back into balance by an equivalent reduction in benefit outgo or by a combination of revenue increases and outgo reductions.) If the program is projected to have a deficit of 1.5 percent of taxable payroll and expenditures are projected to be 10 percent of taxable payroll, then, under the given set of assumptions, 15 percent (1.5 divided by 10) of expenditures could not be met with that tax schedule. At the present time, the total taxable payroll amounts to approximately 1.4 trillion so that in 1984 terms, 1.5 percent of payroll represents about $21 billion.

In the short range, the financial soundness of each of the trust funds can be assessed by considering the size of the trust fund balance, in absolute terms and as a percentage of the annual expenditures, and whether the balance is growing or declining. In the long range, the traditional measure of financial soundness has been the actuarial balance of the system. The actuarial balance is defined as the difference between the total income rate and the cost rate. If the average income rate is between 95 percent and 105 percent of the average cost rate, over the 75-year long-range projection period, the system is said to be in close actuarial balance.

The long-range financial condition of the social security programs will be determined by three types of long-range factors: demographic factors such as rates of fertility, life expectancy, and labor force participation which determine how many workers there will be in the society in relation to non-working beneficiaries; economic factors such as unemployment, productivity, and inflation; and social security program factors, such as benefit levels, total number of covered workers, and percent of eligible workers drawing early retirement benefits.

It is clear that these factors cannot be predicted with any certainty as far into the future as 75 years, and the long-range projections should not be taken as absolute predictions of deficits or surpluses in the funds.

The estimated effects of the various provisions in Public Law 98–21 on the long-range actuarial balance of the OASDI program are shown in table 19. It may be observed from this table that the long-range OASDI actuarial deficit of 2.09 percent of taxable payroll, that was estimated under the old law, is eliminated by the 1983 amendments. The small deficit of 0.03 percent that remains in the OASI program is exactly offset by the small surplus that remains in the DI program. However, each program is well within the bounds of close actuarial balance.

TABLE 19.—ESTIMATED LONG-RANGE OASDI COST EFFECT OF THE SOCIAL SECURITY AMENDMENTS OF 1983 (PUBLIC LAW 98-21)

Section	Provision	Effect, as percent of taxable payroll		
		OASI	DI	OASDI
	Old law:			
	Average cost rate	13.04	1.34	14.38
	Average tax rate	10.13	2.17	12.29
	Actuarial balance	−2.92	+.83	−2.09
	Changes included in titles I and III of the amendments:[1]			
101	Cover new Federal employees	+.26	+.02	+.28
102	Cover all non-profit employees	+.09	+.01	+.10
103	Prohibit State and local termination	+.06	+.00	+.06
111	Delay benefiter increases 6 months	+.28	+.03	+.30
113	Eliminate "windfall" benefits	+.04	+.00	+.04
114	Increase delayed retirement credits	−.10		−.10
121	Taxation of benefits	+.56	+.05	+.61
123	Accelerate tax rate increase	+.03		+.03
124	Increase tax rate on self-employment	+.17	+.02	+.19
124	Adjust self-employment income	−.02	−.00	−.03
125	Change DI tax rate allocation	+.81	−.81	
131	Continue benefits on remarriage	−.00	−.00	−.00
132	Pay divorced spouses of non-retired workers	−.01	−.00	−.01
133	Modify indexing of widow(er) benefits	−.05		−.05
134	Raise disabled widow(er)'s benefits	−.01		−.01
151	Modify military credits financing	+.01	+.00	+.01
152	Reimburse unnegotiated checks	+.00	+.00	+.00
324	Tax certain salary reduction plans	+.03	+.00	+.03
337	Modify public pension offset	−.00	−.00	−.00
340	Suspend auxiliary benefits for certain aliens	+.00	+.00	+.00
348	Modify earnings test at ages 65 and over[2]	−.01		−.01
	All other provisions of Titles I and III	−.00	−.00	−.00
	Subtotal for the effect of the above provisions[3]	+2.07	−.68	+1.38
	Remaining deficit after the above provisions	−.85	+.15	−.71
	Additional change relating to long-term financing (Title II of the amendments):[4]			
201	Raise normal retirement age to 67	+.83	−.12	+.71
	Total effect of all of the provisions[5]	+2.89	−.80	+2.09
	New law:			
	Actuarial balance	−.03	+.03	−.00
	Average income rate	11.47	1.42	12.89
	Average cost rate	11.50	1.39	12.89

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[1] The values for each of the individual provisions listed from Title I and Title III represent the effect over old law and do not take into account interaction with other provisions, with the exception of Section 348.

[2] Estimates for modifying the earnings test take into account interaction with Section 114, which increases delayed retirement credits.

[3] The values in the subtotal for all provisions included in Title I and Title III take into account the estimated interactions among these provisions.

[4] The values take into account interaction with the provisions included in Title I and Title III.

[5] The values for the total effect of the amendments take into account interactions among all of the provisions.

Note: The above estimates are based on the 1983 alternative II-B assumptions. Individual estimates may not add to totals due to rounding and/or interaction amount proposals.

For the OASDI program as modified by the 1983 amendments, table 20 shows a comparison of the estimated cost rate with the estimated income rate for selected years from 1983 through 2060. As indicated previously, the income rate is the sum of the scheduled tax rate and the income from taxation of benefits expressed as a percentage of taxable payroll. The scheduled tax rates for employees and employers, combined, are:

[In percent]

Calendar year	OASI	DI	Total
1983	9.55	1.25	10.80
1984–85	10.40	1.00	11.40
1986–87	10.40	1.00	11.40
1988–89	11.06	1.06	12.12
1990–99	11.20	1.20	12.40
2000 and later	10.98	1.42	12.40

Table 20 shows that, on the basis of the 1983 alternative II–B assumptions, estimated income will exceed the estimated cost of the program through the second decade of the next century. After the year 2020, income from scheduled payroll taxes and from the taxation of benefits will not be large enough to cover estimated annual costs, although the accumulated trust fund balance will be sufficient to allow the program to continue operating satisfactorily for many years. The average actuarial balances are estimated to be a surplus of 1.85 percent of taxable payroll for the first 25 years of the long-range projection period and a surplus of 0.25 percent for the second 25 years. These surpluses are exactly offset by an estimated deficit of 2.10 percent of taxable payroll in the third 25-year period of the 75-year projection period.

Table 21 shows the estimates of OASI and DI trust fund ratios under the amended program for each year from 1981 through 2060. As a percent of annual expenditures, the combined assets of the OASI and DI trust funds are estimated to grow until the latter part of the second decade in the next century, reaching levels of about 540 percent of annual expenditures. Thereafter, the combined trust fund ratios decline steadily to less than 50 percent by 2060.

The trust fund ratio for OASI exhibits a similar pattern—increasing to about 565 percent in the second decade of the next century and declining thereafter to less than 25 percent by 2060. The DI trust fund increases to about 400 percent of annual expenditures by the first decade of the next century and declines to about 220 percent by the year 2060.

TABLE 20.—ESTIMATED LONG-RANGE OASDI ANNUAL COST RATE, INCOME RATE, AND ACTUARIAL BALANCE UNDER THE PROGRAM AS AMENDED BY PUBLIC LAW 98-21

[Percent of taxable payroll]

Year	Cost rate			Income rate			Actuarial balance [1]		
	OASI	DI	OASDI	OASI	DI	OASDI	OASI	DI	OASDI
1983	10.74	1.26	12.00	[2] 10.83	[2] 1.42	[2] 12.25	+0.09	+0.17	+0.26
1984	10.24	1.13	11.37	10.58	1.02	11.59	+0.33	−0.11	+0.22
1985	10.25	1.08	11.34	10.59	1.02	11.61	+0.33	−0.06	+0.27
1986	10.34	1.06	11.40	10.61	1.02	11.63	+0.26	−0.04	+0.22
1987	10.32	1.03	11.35	10.62	1.02	11.65	+0.30	−0.01	+0.29
1988	10.32	1.02	11.34	11.30	1.08	12.39	+0.98	+0.07	+1.05
1989	10.28	1.00	11.28	11.33	1.09	12.41	+1.05	+0.08	+1.13
1990	10.29	1.00	11.29	11.49	1.23	12.72	+1.21	+0.23	+1.44
1991	10.23	1.00	11.23	11.52	1.23	12.75	+1.29	+0.23	+1.52
1992	10.15	1.00	11.16	11.55	1.23	12.79	+1.40	+0.23	+1.63
1993	10.02	1.00	11.02	11.56	1.24	12.80	+1.54	+0.24	+1.78
1994	9.89	.99	10.86	11.57	1.24	12.80	+1.70	+0.25	+1.94
1995	9.72	.98	10.80	11.57	1.24	12.80	+1.85	+0.25	+2.10
1996	9.55	.98	10.53	11.56	1.24	12.80	+2.01	+0.26	+2.27
1997	9.32	.97	10.36	11.56	1.24	12.80	+2.17	+0.27	+2.43
1998	9.27	.99	10.26	11.56	1.24	12.80	+2.29	+0.25	+2.54
1999	9.15	1.01	10.16	11.56	1.24	12.79	+2.40	+0.23	+2.63
2000	9.04	1.03	10.07	11.33	1.46	12.79	+2.29	+0.43	+2.72
2001	8.93	1.06	10.00	11.33	1.46	12.79	+2.39	+0.40	+2.78
2002	8.87	1.10	9.97	11.33	1.46	12.79	+2.46	+0.36	+2.83
2003	8.80	1.14	9.94	11.33	1.46	12.79	+2.53	+0.32	+2.86
2004	8.75	1.18	9.93	11.33	1.47	12.80	+2.58	+0.29	+2.87
2005	8.72	1.22	9.93	11.33	1.47	12.80	+2.61	+0.25	+2.86
2006	8.71	1.26	9.97	11.33	1.47	12.80	+2.62	+0.21	+2.84
2007	8.73	1.29	10.02	11.34	1.47	12.81	+2.60	+0.18	+2.78
2010	8.95	1.40	10.35	11.35	1.48	12.83	+2.40	+0.08	+2.48
2015	9.95	1.51	11.46	11.40	1.48	12.89	+1.45	−0.03	+1.43
2020	11.25	1.58	12.83	11.47	1.49	12.96	+0.22	−0.10	+0.13
2025	12.44	1.64	14.08	11.54	1.49	13.03	−0.90	−0.15	−1.03
2030	13.27	1.57	14.84	11.59	1.49	13.09	−1.68	−0.08	−1.75
2035	13.68	1.53	15.22	11.63	1.49	13.12	−2.05	−0.04	−2.10
2040	13.65	1.55	15.20	11.65	1.49	13.14	−2.00	−0.06	−2.06
2045	13.61	1.58	15.19	11.66	1.50	13.16	−1.95	−0.09	−2.03
2050	13.69	1.58	15.27	11.67	1.50	13.16	−2.03	−0.08	−2.10
2055	13.82	1.54	15.39	11.67	1.50	13.17	−2.15	−0.07	−2.22
2060	13.88	1.55	15.43	11.68	1.50	13.17	−2.20	−0.06	−2.26
25-year averages:									
1983–2007	9.63	1.07	10.70	11.28	1.27	12.55	+1.65	+0.20	+1.85
2008–2032	11.17	1.54	12.71	11.47	1.49	12.93	+0.30	+0.05	+0.25
2033–2057	13.69	1.56	15.25	11.66	1.50	13.15	−2.63	−0.07	−2.10
75-year average:									
1983–2057	11.50	1.39	12.89	11.47	1.42	12.89	−0.03	+0.03	−0.00

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[1] A positive balance indicates a surplus; a negative balance indicates a deficit.

[2] In 1983 only, income rates include lump-sum reimbursement for costs attributable to wage credits for military service performed before 1957.

Note: The above estimates are based on the 1983 alternative II–B assumptions.

TABLE 21.—ESTIMATED LONG-RANGE OASI AND DI TRUST FUND RATIOS UNDER THE PROGRAM AS AMENDED BY PUBLIC LAW 98–21

[In percent]

Year	OASI	DI	OASDI	Year	OASI	DI	OASDI
1981	18	21	18	2021	548	358	525
1982	15	17	15	2022	539	350	516
1983	15	15	15	2023	529	342	507
1984	20	40	22	2024	518	334	496
1985	21	35	22	2025	506	326	485
1986	22	33	23	2026	494	320	474
1987	22	32	23	2027	481	316	462
1988	23	34	24	2028	467	313	450
1989	28	43	29	2029	453	311	438
1990	36	73	39	2030	440	310	426
1991	47	94	51	2031	426	309	413
1992	59	116	64	2032	411	308	401
1993	73	139	79	2033	397	307	388
1994	89	163	95	2034	383	306	375
1995	106	187	114	2035	369	305	362
1996	126	213	134	2036	355	304	350
1997	148	239	157	2037	342	302	338
1998	172	260	180	2038	329	299	326
1999	197	277	205	2039	316	295	314
2000	224	293	231	2040	304	293	303
2001	251	321	258	2041	291	290	291
2002	278	344	286	2042	279	285	279
2003	307	362	313	2043	266	281	267
2004	336	377	341	2044	253	277	255
2005	366	387	369	2045	240	272	243
2006	395	395	395	2046	227	268	231
2007	424	400	421	2047	214	264	219
2008	451	402	445	2048	200	260	206
2009	477	403	467	2049	187	256	194
2010	500	403	487	2050	173	252	181
2011	519	401	503	2051	159	249	168
2012	535	400	517	2052	144	245	155
2013	547	398	527	2053	130	241	141
2014	557	395	535	2054	115	238	126
2015	563	392	540	2055	100	234	114
2016	566	387	543	2056	85	231	100
2017	567	383	543	2057	70	228	86
2018	565	378	541	2058	55	224	72
2019	561	373	538	2059	39	222	58
2020	555	366	532	2060	24	219	44

Note: The above estimates are based on the 1983 alternative II–B assumptions. The trust fund ratio is defined as the ratio of the trust fund balance at the beginning of the year to the outgo during the year. After 1983, ratios reflects the inclusion of advance tax transfers for January. These estimates assume that the $12.4 billion borrowed by OASI from HI in 1982 will be repaid as follows: $0.3 billion in 1984, $1.6 billion in 1986, $2.3 billion in 1987, and $8.2 billion in 1988. It is also assumed that the $5.1 billion borrowed from DI in 1982 will be repaid in 1989.

HI trust fund

Long-range estimates for the next 25 years are shown in table 22 for the HI program as amended by Public Law 98-21. The estimates are based on the alternative II-B assumptions.

As in the case of the OASDI program, annual expenditures as a percentage of taxable earnings are shown in table 22 as the cost rate. The income rate for the HI program is simply the combined scheduled tax rate for employees and employers.

In each of the 25 years in the projection period, the cost rate exceeds the income rate. The average deficit over the 25-year period is 1.35 percent of taxable earnings under the amended program—a reduction of 0.78 percent of taxable payroll from the 2.13 percent average deficit under the program as in effect before the enactment of the 1983 amendments. Thus, the deficit of the HI program was reduced by more than one-third. However, the average long-range deficit of the HI program is still very high, representing almost one-third of the total long-range cost of the program.

TABLE 22.—ESTIMATED LONG-RANGE HI ANNUAL COST RATE, ANNUAL INCOME RATE, AND ACTUARIAL BALANCE UNDER THE PROGRAM AS AMENDED BY PUBLIC LAW 98-21

[Percent of taxable payroll]

Year	Cost rate [1]	Income rate [2]	Difference [3]
1983	2.78	2.60	−0.18
1984	2.79	2.60	−0.19
1985	2.89	2.70	−0.19
1986	3.01	2.90	−0.11
1987	3.14	2.90	−0.24
1988	3.27	2.90	−0.37
1989	3.42	2.90	−0.52
1990	3.54	2.90	−0.64
1991	3.67	2.90	−0.77
1992	3.80	2.90	−0.90
1993	3.92	2.90	−1.02
1994	4.06	2.90	−1.16
1995	4.20	2.90	−1.30
1996	4.34	2.90	−1.44
1997	4.46	2.90	−1.56
1998	4.60	2.90	−1.70
1999	4.71	2.90	−1.81
2000	4.83	2.90	−1.93
2001	4.96	2.90	−2.06
2002	5.10	2.90	−2.20
2003	5.30	2.90	−2.40
2004	5.39	2.90	−2.49

TABLE 22.—ESTIMATED LONG-RANGE HI ANNUAL COST RATE, ANNUAL INCOME RATE, AND ACTUARIAL BALANCE UNDER THE PROGRAM AS AMENDED BY PUBLIC LAW 98–21—Continued

[Percent of taxable payroll]

Year	Cost rate [1]	Income rate [2]	Difference [3]
2005	5.55	2.90	−2.65
2006	5.73	2.90	−2.85
2007	5.91	2.90	−3.01
25-year average: 1983–2007	4.22	2.87	−1.35
Under old law: 1983–2007	5.00	2.87	−2.13

[1] Defined as the annual expenditures of the program, expressed as a percentage of the effective taxable payroll. It does not include additional amounts that would be needed to maintain the trust fund balance at an adequate level.

[2] This is simply the combined employee-employer tax rate. The provision for taxation of benefits—which is an additional source of income for the OASDI program—does not apply to the HI program.

[3] A positive figure indicates a surplus; a negative balance indicates a deficit.

Note: The above estimates are based on the 1983 alternative II–B assumptions.

Source: Office of the Actuary, Health Care Financing Administration.

ECONOMIC AND DEMOGRAPHIC ASSUMPTIONS

The following tables provide specific information concerning the economic and demographic assumptions which underlie the social security trustees' short and long-run financial projections.

TABLE 23.—ECONOMIC ASSUMPTIONS, 1960–2055

Calendar years	Average annual percentage increase in—		Consumer Price Index	Real wage differential (percent)	Average annual unemployment rate
	Real GNP	Average wages in covered employment			
Past experience:					
1960–64	4.0	3.4	1.3	2.1	5.7
1965–69	4.4	5.4	3.4	2.0	3.8
1970–74	2.8	6.3	6.1	0.2	5.4
1975–79	3.5	7.8	8.1	−.3	7.0
1980	−0.1	8.5	13.5	−4.9	7.1
1981	2.0	8.7	10.3	−1.6	7.6
Intermediate II–B:					
1982		5.6	6.0	−0.4	9.7
1983	4.2	4.3	4.1	.2	10.7
1984	3.3	7.3	6.2	1.1	9.7
1985	3.0	6.9	6.5	.4	8.8
1990	3.0	5.7	4.4	1.3	7.1

TABLE 23.—ECONOMIC ASSUMPTIONS, 1960–2055—Continued

Calendar years	Average annual percentage increase in—		Consumer Price Index	Real wage differential (percent)	Average annual unemployment rate
	Real GNP	Average wages in covered employment			
1995	2.5	5.5	4.0	1.5	5.6
2000 and later	[1] 2.6	5.5	4.0	1.5	5.5
Pessimistic:					
1983	.6	4.2	5.2	−1.0	11.0
1984	2.4	7.0	7.7	−.7	10.8
1985	3.8	6.8	7.5	−.7	10.1
1990	2.7	6.0	5.0	1.0	7.8

[1] This value is for the year 2000. The annual increase in real GNP is assumed to continue to change after 2000 under each alternative to reflect the dependence of labor force growth on the size and age-sex distribution of the population. The percentage increases for 2060 are 2.1 and 1.0 for Alternatives II–B and III, respectively.

TABLE 24.—MAJOR LONG-TERM DEMOGRAPHIC AND LABOR FORCE PARTICIPATION ASSUMPTIONS

FERTILITY RATES

[1981 trustees' report II–B assumptions]

	1917	1933	1947	1957	1976	1981	1995	2005+
Children born per woman in her lifetime	3.33	2.17	3.18	3.68	1.74	1.85	1.93	2.00

LIFE EXPECTANCIES

[In years]

	1900	1940	1960	1980	2000	2020	2060
Male:							
At birth	46.6	61.5	66.7	69.9	73.4	74.4	76.3
Age 65	11.4	11.9	12.9	14.0	15.7	16.5	17.9
Female:							
At birth	49.1	65.8	73.3	77.5	81.1	82.2	84.4
Age 65	12.0	13.4	15.9	18.4	20.8	21.7	23.6

LABOR FORCE PARTICIPATION RATES

[In percent]

	1981	1985	1990	1995	2000+
Male	77.5	77.9	79.2	79.8	80.0
Female	52.3	55.1	58.4	60.8	62.7

COVERED WORK FORCE—NUMBER OF BENEFICIARIES AND DEPENDENCY RATIOS

	1960	1980	2000	2020	2040
Total population (in millions)	189	236	277	308	325
Covered workers	73	114	148	157	159
Beneficiaries	14	35	45	64	78
Dependency ratio [1]	.915	.758	.693	.745	.844
Worker/beneficiary ratio	5.1	3.3	3.3	2.4	2.0

PERCENT OF ELIGIBLE WORKERS DRAWING RETIREMENT BENEFITS

Selected ages	1981	1990	2000	2010 and later
62 to 64:				
Male	39.0	44.0	44.0	44.0
Female	51.0	53.7	54.4	[2] 54.7
65 to 69:				
Male	90.0	93.0	93.0	93.0
Female	87.5	91.1	92.3	[2] 93.0

[1] Ratio of nonworking to working population—population under 20 plus population over 65 divided by population 20–64.

[2] Rises very slightly after 2010.

Source: Congressional Research Service.

Section 6. Trade Adjustment Assistance

The trade adjustment assistance (TAA) programs were first established under the Trade Expansion Act of 1962 for the purpose of assisting in the special adjustment problems of workers and firms dislocated as a result of a Federal policy of liberalizing barriers to encourage increased foreign trade. The Omnibus Budget Reconciliation Act of 1981 (OBRA), Public Law 97-35, reformed the program for workers as proposed by the Administration. The amendments, particularly in program eligibility and benefits, were intended to reduce program cost significantly and to shift its focus from income compensation for temporary layoffs to return to work through training and other adjustment measures for the long-term or permanently unemployed. The OBRA also made relatively minor modifications in the firm program. Most amendments became effective on October 1, 1981. Both programs were extended at that time for 1 year, to terminate on September 30, 1983.

Public Law 98-120 (H.R. 3813 as amended by the Senate), signed by the President on October 12, 1983, extends the worker and firm TAA programs for 2 years until September 30, 1985. Title XI of H.R. 4170, as reported by the Committee on Ways and Means on October 21, 1983, contains three provisions (sections 3, 6, and 8) from H.R. 3391 as passed by the House on September 15 amending the program for workers to increase the availability of worker training allowances and the level of job search and relocation benefits and the program for firms to increase the availability of industrywide technical assistance.

Trade Adjustment Assistance Program for Workers

Sections 221 through 250 of the Trade Act of 1974, as amended, contain the procedures, eligibility requirements, benefit allowances, and administrative provisions of the trade adjustment assistance program for workers laid off as a result of increased import competition.

Trade adjustment assistance consists of trade readjustment allowances (TRA), employment services, training and extended TRA allowances while in training, and job search and relocation allowances for certified and otherwise qualified workers. The program is administered by the Employment and Training Administration (ETA) of the Department of Labor through State employment security agencies under cooperative agreements between each State and the Secretary of Labor. ETA processes petitions and issues certifications or denials of petitions by groups of workers for eligibility to apply for TAA. The State agencies act as Federal agents in processing applications and determining individual worker eligibility for benefits, issuing payments, and providing reemployment services and training opportunities.

CERTIFICATION REQUIREMENTS

A two-step process is involved in the determination of whether an individual worker will receive trade adjustment assistance: (1) certification by the Secretary of Labor of a petitioning group of workers in a particular firm as eligible to apply; and (2) approval by the State agency administering the program of the application for benefits of an individual worker covered by a certification.

The process begins by a group of three or more workers, their union, or authorized representative filing a petition with the ETA for group eligibility. To certify a petitioning group of workers as eligible to apply for adjustment assistance, the Secretary must determine that three conditions are met:

1. A significant number or proportion of the workers in the firm or subdivision of the firm have been or are threatened to be totally or partially laid off;
2. Sales and/or production of the firm or subdivision have decreased absolutely; and
3. Increased imports of articles like or directly competitive with articles produced by the firm or subdivision of the firm have "contributed importantly" to both the layoffs and the decline in sales and/or production.

A major amendment to the program under the OBRA strengthened the causal link between increased imports and worker layoffs and sales/production declines of the firm from "contributed importantly" to "a substantial cause," defined as a cause which is not only important but also "not less than any other cause," the same standard applied under the Trade Act for import relief to domestic industries. This stricter causation standard was to apply to petitions filed on or after February 9, 1982 (i.e., 180 days after enactment of the OBRA). However, section 204 of the Miscellaneous Revenue Act of 1982 (Public Law 97-362) retained the "contributed importantly" standard through September 30, 1983. Public Law 98-120, enacted on October 12, 1983, amended the statute to restore the "contributed importantly" standard as of petitions filed on or after October 1.

TABLE 1.—NUMBER OF PETITIONS INSTITUTED AND CERTIFIED AND ESTIMATED NUMBER OF WORKERS PETITIONING AND CERTIFIED FOR TRADE ADJUSTMENT ASSISTANCE, TOTAL AND BY INDUSTRY FROM APRIL 1975 THROUGH DECEMBER 31, 1983

Year	Cases instituted		Cases certified		
	Petitions	Estimated workers	Petitions	Percent [1]	Estimated workers
1975	528	210,987	121	50	54,842
1976	1,014	218,538	430	45	143,578
1977	1,289	227,551	411	38	143,700
1978	1,732	171,306	854	42	164,407
1979	2,119	320,309	844	41	221,082
1980	5,347	1,026,758	935	29	585,243
1981	1,134	133,851	260	9	32,820
1982	1,030	181,758	254	20	21,127
1983	959	205,231	482	35	103,831
Total	15,152	2,696,289	4,591	31	1,470,630

[1] Percent of workers covered by completed cases.

	Thousands
Total estimated number of workers certified	1,471
Industry:	
Automobiles	730
Steel	154
Apparel	178
Footwear	80
Electronics	59
Fabricated metal products	39
Textiles	26

Source: Department of Labor.

ELIGIBILITY REQUIREMENTS FOR TRADE READJUSTMENT ALLOWANCES

In order to receive entitlement to a trade readjustment allowance for any week of unemployment, an individual worker covered by a certification must file an application with his State employment security office and meet the following eligibility requirements:

1. His last total or partial layoff before application must have occurred not more than 1 year prior to the date of the petition, on or after the "impact date" (i.e., the date on which total or partial layoffs began or threatened to begin), within 2 years after the date the Secretary of Labor issued the certification covering the worker, and before the termination date (if any) of the certification; and

2. He was employed at least 26 of the 52 weeks preceding his last layoff in adversely affected employment with a single firm or subdivision thereof at wages of $30 or more per week.

Current law treats as a week of employment the week in which layoff occurs and up to 3 weeks of employer-authorized vacation, sick, injury, maternity, or military leave, or service as a union representative, up to 7 weeks of disability covered by workmen's compensation, or up to 7 weeks of leave and disability combined, of which no more than 3 weeks may consist of authorized leave. Under prior law, only weeks actually on the job were counted as qualifying weeks of employment.

In addition, the OBRA amended the program to include the following new TRA eligibility limitations:

1. Under the program prior to October 1, 1981, TRA benefits were a supplement to State unemployment insurance and paid concurrently during weeks the worker was eligible for UI. A fundamental change under the new program makes TRA benefits a continuation of the UI program by requiring the worker to exhaust all rights to UI, including any extended benefits (EB) or Federal supplemental compensation (FSC), to which he is entitled in his most recent benefit period before he becomes eligible for any TRA payments. The worker is also ineligible for TRA benefits for any subsequent week he is entitled to payment for any further UI or waiting period credit. This change is a major factor in the substantial reduction in the cost of the program and its reorientation to long-term and permanently unemployed workers.

2. All TRA claimants in all States are now subject to the provisions of the EB "suitable work" test under section 202(a)(3) of the Federal-State Extended Unemployment Compensation Act of 1970 after the end of their regular UI benefit period as a precondition for receiving any weeks of TRA payments. Previously, the EB work test applied only to TRA claimants in those States triggered "on" an extended benefit period. Workers are not disqualifed for TRA benefits if in State-approved training prior to eligibility or for any form of TAA because of subsequently leaving employment which is not of a substantially equal or higher skill and wage level than previous employment.

3. Workers are entitled to TRA payments only for weeks of unemployment which begin more than 60 days after the filing date of the petition, i.e. after the statutory deadline for certification. Workers can continue to be certified for layoffs occurring up to one year prior to the petition filing date in order to qualify for other TAA benefits, but can no longer receive TRA payments retroactively beyond the date certification is supposed to take place. The purpose of this change was to reduce significantly the frequency and magnitude of retroactive lump sum payments to workers after their return to employment.

4. No TRA payment can be made for a UI waiting week.

5. As a further encouragement to reemployment, the Secretary of Labor may require all workers in a labor market area with certain economic characteristics either to accept training or to extend job search beyond their labor market area after

their first 8 weeks of TRA eligibility if they have been approved for training.

BENEFIT LEVELS AND DURATION

TRA benefits prior to October 1, 1981, were 70 percent of the worker's former gross weekly wage not to exceed the average weekly manufacturing wage, reduced by the amount of his unemployment compensation entitlement, 50 percent of any part-time earnings, and certain training allowances paid under Federal law. Eligible workers could collect basic benefits for up to 52 weeks of unemployment during a maximum two-year period following layoff. Older workers age 60 or over or workers exhausting basic benefits while still in approved training programs could receive up to an additional 26 weeks of TRA payments, collectible during a maximum three-year period following layoff.

The following major changes under the OBRA, effective as of October 1, 1981, reduce program costs and are intended to remove reemployment disincentives associated with the previous high net wage replacement and the inequity in benefit amounts between import-impacted workers and workers laid off for other reasons:

1. The TRA weekly benefit amount is the same as, and a continuation of, the claimant's unemployment insurance weekly benefit amount during his most recent UI benefit period, reduced by any training allowance and disqualifying income deductible under UI law. This change has shifted the TRA benefit level from a uniform national standard to a State standard.
2. The total amount of basic TRA benefits payable to a worker is reduced to a maximum of 52 times the TRA allowance level for a week of total unemployment minus the total amount of UI benefits payable in the worker's most recent benefit period (e.g., a worker receiving 39 weeks of UI regular and extended benefits could receive a maximum 13 weeks of TRA benefits). UI and TRA payments combined are limited to a maximum 52 weeks in all cases involving extended benefits. TRA basic benefits may be collected only during the 52-week period following the week in which the worker has exhausted all his rights to regular unemployment compensation in his most recent benefit period. The purpose of the shortened collection period is to reduce payment of TRA benefits during periods of non-trade-related unemployment. This change is another major cause of the substantial reduction in program cost.
3. Workers may receive up to 26 additional weeks of TRA benefits to assist in completing approved training, if the worker applies for the training program within 210 days (compared to 180 days previously) after certification or layoff, whichever date is later. The additional benefits may be collected only during the 26-week period (compared to 52-week period under the previous program) following the worker's last week of entitlement to basic TRA benefits. Older workers are no longer eligible for additional weeks of TRA benefits.

TABLE 2.—TOTAL OUTLAYS FOR TRADE READJUSTMENT ALLOWANCES, NUMBER OF RECIPIENTS, AVERAGE WEEKLY PAYMENTS AND DURATION, FISCAL YEARS 1976 THROUGH 1983

Fiscal year	Total outlays (millions)	Total number of recipients (thousands)	Average weekly payment per recipient	Average week's duration
1975 (4th quarter)	$71	47	$58	26.0
1976 [1]	79	62	47	27.3
1977	148	111	57	23.4
1978	257	156	68	24.3
1979	256	132	70	27.4
1980	1,622	532	126	24.1
1981	1,440	281	140	36.5
1982	103	30	119	28.4
1983	37	30	120	10.1
Total	4,014	1,381	115	25.3

[1] Fiscal year 1976 is the first full year of experience under the program as amended by the Trade Act of 1974.

Note: The above figures relate only to trade readjustment allowances; administrative expenses and outlays for employment services, training, and job search and relocation allowances are not included.

Source: Department of Labor.

TRAINING AND OTHER EMPLOYMENT SERVICES, JOB SEARCH AND RELOCATION ALLOWANCES

Training and other employment services and job search and relocation allowances are available through State agencies to certified workers whether or not they have exhausted UI benefits and become eligible for TRA payments.

Employment services consist of counseling, vocational testing, job search and placement, and other supportive services, as appropriate.

Training, preferably on-the-job, *may* be approved for a worker if there is no suitable employment available; the worker would benefit from appropriate training; there is a reasonable expectation of employment following training completion; approved training is available from government agencies or private sources; and the worker is qualified to undertake and complete such training. While training itself is not an entitlement even if the above conditions are met, under current law if training is approved, a worker is entitled to payment of the costs. As a result, the Department of Labor has added administratively another condition prohibiting State agencies from approving training if sufficient funds have not been appropriated and allocated to pay the costs.

Supplemental assistance is available to defray reasonable transportation and subsistence expenses for separate maintenance when training is not within the worker's commuting distance. Under the OBRA the allowance was increased from 12 cents per mile and $15 per day to the lesser of actual per diem expenses or 50 percent of the prevailing Federal per diem rate for subsistence and prevailing mileage rates under Federal regulations for travel expenses.

Job search allowances are available to certified workers who cannot obtain suitable employment within their commuting area, are totally laid off, and who apply within one year after certification or last total layoff, whichever is later, or within 6 months after concluding training. The OBRA increased the allowance for reimbursement from 80 percent to 90 percent of necessary job search expenses, based on the same increased supplemental assistance rates described above, up to a maximum amount increased from $500 to $600.

Relocation allowances are available to certified workers totally laid off at time of relocation who have been able to obtain an offer of or actual suitable employment only outside their commuting area, who apply within 14 months after certification or last total layoff, whichever is later, or within 6 months after concluding training, and whose relocation takes place within 6 months after application or completion of training. The OBRA increased the allowance from 80 percent to 90 percent of reasonable and necessary expenses for transporting the worker, his family, and household effects, based on the same increased supplemental assistance rates described above, plus a lump sum payment of three times the worker's average weekly wage up to a maximum amount increased from $500 to $600.

TABLE 3.—TRAINING, JOB SEARCH, AND RELOCATION ALLOWANCES: TOTAL NUMBER OF WORKERS AND OUTLAYS, FISCAL YEARS 1976 THROUGH 1983

Fiscal year	Total number			Total outlays (millions)[1]		
	Entered training	Job searches	Relocations	Training	Job searches	Relocations
1975 (4th quarter)	463	158	44			
1976	823	23	26	(2)	(2)	(2)
1977	4,213	277	191	(3)	(3)	$0.2
1978	8,337	1,072	631	$12.0	$0.2	0.6
1979	4,458	1,181	855	12.0	0.3	1.2
1980	[4] 9,475	931	629	5.2	0.1	0.7
1981	[4] 20,386	1,491	2,011	1.9	0.3	2.0
1982	5,844	697	662	18.4	(5)	(5)
1983	11,299	696	3,269	33.0	(6)	(6)
Total	67,403	6,525	8,319			

[1] Excludes administrative costs.

[2] Total $2.7.

[3] Total $3.8.

[4] Of total workers entering training, 5,640 (59 percent) in 1980 and 18,940 (94 percent) in 1981 self-financed their training costs.

[5] Total outlays of $1.0 million for job search and relocation expenses.

[6] Total outlays of $3.0 million for job search and relocation expenses.

Source: Department of Labor.

FUNDING

Federal funds, through annual appropriations from Treasury general revenues, cover only the portion of the worker's total entitlement represented by the continuation of UI benefit levels in the form of TRA payments, plus the salaries and expenses for ETA personnel administering the program. Funds made available under grants to States defray expenses of any employment services. A specific sum of $29.7 million has been appropriated for training, job search, and relocation allowances, and related expenses for fiscal year 1984.

The States are reimbursed from Treasury general revenues for benefit payments and other costs incurred under the program. A penalty under section 239 of the Trade Act of 1974 provides for reduction by 15 percent of the credits for State unemployment taxes which employers are allowed against their liability for Federal unemployment tax if a State has not entered into or has not fulfilled its commitments under a cooperative agreement.

Trade Adjustment Assistance Program for Firms

Section 251 through 264 of the Trade Act of 1974, as amended, contain the procedures, eligibility requirements, benefits and their terms and conditions, and administrative provisions of the trade adjustment assistance program for firms adversely impacted by increased import competition. The OBRA made minor modifications to preserve the existing program, which had also utilized authorities under the Public Works and Economic Development Act of 1965, as amended, upon transfer of its administration in 1982 within the Department of Commerce from the Economic Development Administration to the International Trade Administration. Other amendments were intended to increase the attractiveness and to improve the administration of loan guarantees.

Program benefits consist of technical and/or financial assistance for petitioning firms which qualify under a two-step procedure: (1) certification by the Secretary of Commerce that the petitioning firm is eligible to apply, and (2) approval by the Secretary of Commerce of the application by a certified firm for benefits, including the firm's proposal for economic adjustment.

To certify a firm as eligible to apply for adjustment assistance, the Secretary must determine that three conditions are met:

1. A significant number or proportion of the workers in the firm have been or are threatened to be totally or partially laid off;
2. Sales and/or production of the firm have decreased absolutely; and
3. Increased imports of articles like or directly competitive with articles produced by the firm have "contributed importantly" to both the layoffs and the decline in sales and/or production.

A certified firm may file an application with the Secretary of Commerce for trade adjustments assistance benefits at any time within two years after the date of the certification of eligibility. The application must include a proposal by the firm for its economic adjustment. The Secretary may furnish technical assistance to the firm in preparing its petition for certification and/or in developing a viable economic adjustment proposal.

The firm's application must meet the following requirements for approval of technical and/or financial assistance:

1. The firm has no reasonable access to financing through the private capital market.
2. The adjustment proposal demonstrates that the assistance sought (a) is reasonably calculated to make a material contribution to the economic adjustment of the firm in establishing a competitive position in the same or a different industry; (b) gives adequate consideration to the interest of the workers in the firm; and (c) demonstrates the firm will make all reasonable efforts to use its own resources for economic development.

In addition, the Secretary must determine that a firm seeking financial assistance (1) does not have the required funds available from its own resources; and (2) there is reasonable assurance that the loan will be repaid.

BENEFITS

Technical assistance and financial assistance may be furnished singly or in combination to certified firms with approved applications.

Technical assistance may be given to implement the firm's economic adjustment proposal in addition to, or in lieu of, precertification assistance or assistance in developing the proposal. It may be furnished through existing government agencies or through private individuals, firms, and institutions (including private consulting services), or by grants to intermediary organizations, including Trade Adjustment Assistance Centers. The Federal share cannot exceed 75 percent of the cost of assistance furnished through private individuals, firms, or institutions. Grants may be made to intermediate organizations to defray up to 100 percent of their administrative expenses in providing technical assistance.

The Secretary of Commerce also may provide technical assistance of up to $2 million annually per industry to establish industrywide programs for new product or process development, export development, or other uses consistent with adjustment assistance objectives. The assistance may be furnished through existing agencies, private individuals, firms, universities, and institutions, and by grants, contracts, or cooperative agreements to associations, unions, or other nonprofit organizations of industries in which a substantial number of firms have been certified.

Financial assistance may be direct loans and/or loan guarantees for (1) acquiring, constructing, installing, modernizing, developing, converting, or expanding land, plant, buildings, equipment, facilities, or machinery; or (2) supplying such working capital as may be necessary to enable the firm to implement its adjustment proposal. Public Law 98-120, which reauthorized the program for 2 years until September 30, 1985, requires that the Secretary, in considering whether to provide financial assistance, give preference to firms which establish an employee stock ownership plan.

Direct loans to any firm cannot exceed an aggregate amount of $1 million outstanding at any time. The interest rate is determined by the Secretary of the Treasury, plus an amount adequate to cover administrative costs and probable losses under the program.

Loan guarantees to any firm cannot exceed an aggregate amount of $3 million outstanding at any time. No loan can be guaranteed for more than 90 percent of the balance of the loan outstanding.

Maturities of direct loans and loan guarantees normally cannot exceed 10 years on working capital loans and 25 years or the useful life of the fixed assets, whichever is less, on loans for land, plant, building, equipment, or machinery.

TABLE 4.—NUMBER OF FIRMS CERTIFIED AND TECHNICAL AND FINANCIAL ASSISTANCE AUTHORIZED FOR THE PERIOD FROM APRIL 1975 THROUGH SEPTEMBER 30, 1983

[Dollars in thousands]

Number of firms certified	[1] 1,872
Number certified by industry:	
Apparel	581
Footwear	142
Metal products	115
Machinery and equipment	104
Food and beverage	87
Handbags	81
Communication equipment	80
Textiles	78
Wood products	72
Technical assistance: Number of firms receiving assistance	[1, 2] 3,101
Total assistance authorized	$100,452
Individual firms	$67,343
Industrywide	$33,109
Financial assistance: Number of firms receiving loans	320
Total loans authorized	$358,601
Direct loans	$198,657
Loan guarantees	$159,944

[1] Preliminary estimate.

[2] Double counting is unavoidable since most firms receive more than one category of technical assistance.

Source: Department of Commerce.

FUNDING

Funds to cover all costs are subject to annual appropriations for the Department of Commerce from general revenues. A total of $25 million has been appropriated for the program in fiscal year 1984, including $15.5 million for technical assistance and $7.5 million for direct loans, plus $15 million in loan guarantee authority.

Section 7. Unemployment Compensation

OVERVIEW

The Social Security Act of 1935 (Public Law 74-271) created the Federal-State unemployment compensation (UC) system. It has two main objectives: (1) to provide temporary and partial wage replacement to involuntarily unemployed workers who were recently employed; and (2) to help stabilize the economy during recessions. The U.S. Department of Labor oversees the system, but each State administers its own program. Because Federal law defines the District of Columbia, Puerto Rico, and Virgin Islands as "States" for the purposes of unemployment compensation, there are 53 State programs.

The Federal Unemployment Tax Act of 1939 (Public Law 76-379) and titles III, IX, and XII of the Social Security Act form the framework of the system. The Federal Unemployment Tax Act (FUTA) currently imposes a 3.5 percent gross tax rate on the first $7,000 paid annually by covered employers to each employee. Employers in States with programs approved by the Federal Government and with no delinquent Federal loans may credit 2.7 percentage points against the 3.5 percent tax rate, making the minimum, net Federal unemployment tax rate 0.8 percent. This Federal revenue finances administration of the system, half of the Federal-State extended benefits program, and a Federal account for State loans. In theory, the States are supposed to use the revenue turned back to them by the 2.7 percent credit to finance their regular State programs and half of the Federal-State extended benefits program.

TABLE 1.—UNEMPLOYMENT COMPENSATION PROGRAM STATISTICS

	Fiscal year—									
	1976	1977	1978	1979	1980	1981	1982	1983	1984 (revised estimate) ²	1985 (estimate) ²
Total civilian unemployment rate (percent)	8.0	7.4	6.2	5.8	6.8	7.3	9.1	10.1	8.1	7.8
Insured unemployment rate (percent) ¹	5.0	4.1	3.5	3.1	3.8	3.5	4.4	4.3	3.3	3.3
Coverage (millions of individuals)	66.6	70.0	79.9	86.1	87.0	88.2	86.8	86.3	89.8	92.0
Average weekly benefit amount (dollars)	71.75	75.80	80.40	85.00	95.70	101.60	113.60	120.30	120.80	125.60
State unemployment compensation:										
Claimants (millions of individuals)	8.657	8.358	7.647	7.797	9.906	8.777	11.270	9.92	8.4	8.9
Regular benefit exhaustions (millions of individuals)	4.1	2.9	2.2	2.0	2.7	3.2	3.7	4.6	3.0	3.0
Regular benefits paid (billions of dollars)	10.24	8.94	8.32	8.74	12.95	13.46	19.34	20.84	15.17	16.65
Extended benefits (State share: billions of dollars)	1.41	.95	.51	.12	.56	1.06	.93	1.21	.08	.12
State tax collections (billions of dollars)	6.40	9.25	11.03	12.27	11.91	12.37	12.77	14.43	17.91	18.98
State trust fund impact (income-outlays: billions of dollars)	−5.25	−.64	+2.20	+3.41	−1.60	−2.15	−7.50	−7.62	+2.70	+2.27
Federal unemployment compensation accounts:										
Federal tax collections (billions of dollars)	1.53	1.87	2.60	2.91	3.19	3.26	3.18	3.58	4.31	4.56
Outlays: Federal extended benefits share plus Federal supplemental benefits (billions of dollars)	4.98	2.61	.69	.12	.56	1.06	.97	6.80	3.07	1.12

Administrative costs (billions of dollars):										
Unemployment Insurance Service	.88	.96	.93	.97	1.15	1.32	1.42	1.70	1.58	1.66
Employment Service	.54	.60	.64	.70	.73	.73	.68	.72	.81	.89
Total administrative costs	1.42	1.56	1.57	1.67	1.88	2.05	2.10	2.42	2.39	2.55

[1] The percent of workers covered under State unemployment compensation programs who collected unemployment compensation benefits.

[2] Based on President's 1985 budget.

Sources: Office of Research, Legislation and Program Policies/ETA/UIS/DOL, Division of Actuarial Services, and U.S. Budget Appendixes.

The Federal Unemployment Tax Act (FUTA) determines covered employment. FUTA also imposes certain requirements on the State programs, but the States generally determine individual qualification requirements, disqualification provisions, eligibility, weekly benefit amounts, potential weeks of benefits, and the State tax structure used to finance all of the regular State benefits and half of the extended benefits.

The Social Security Act provides for the administrative framework. Title III authorizes Federal grants to the States for administration of the State UC laws. Title IX authorizes the various components of the Federal Unemployment Trust Fund. Title XII authorizes advances or loans to insolvent State UC programs.

The Unemployment Trust Fund

The Federal unified budget accounts for all Federal-State UC outlays and taxes in the Federal Unemployment Trust Fund. The Unemployment Trust Fund has 59 accounts. The accounts consist of 53 State UC program accounts, the Railroad Unemployment Insurance Account, Railroad Administration Account, and four Federal accounts. The status of each State program account at the beginning of fiscal year 1983 is shown in table 2.

The recession and its aftermath continued to strain the system as only six States ended fiscal year 1983 with more positive reserves than when the year began. State debt to the Federal Government rose by 53 percent to $13.2 billion by the end of fiscal year 1983. Four additional States had outstanding loans, raising the total number of States in debt to 19.

TABLE 2.—STATE UNEMPLOYMENT TRUST FUND ACCOUNT BALANCES AT THE BEGINNING OF FISCAL YEAR 1984

[Dollars in millions]

State	1984 beginning balance	Minus loans outstanding at beginning of 1984	1984 adjusted beginning balances	Adjusted 1984 beginning balance as a percent of total wages in State [3]
Alabama	$42			0.3
Alaska	136			2.6
Arizona	175			1.1
Arkansas	45	$108	−$63	−.6
California	2,233			1.2
Colorado	0	91	−91	−.4
Connecticut	57	281	−224	−.9
Delaware	35	44	−9	−.2
District of Columbia	3	64	−61	−.8
Florida	875			1.6
Georgia	380			1.2
Hawaii	122			2.1

TABLE 2.—STATE UNEMPLOYMENT TRUST FUND ACCOUNT BALANCES AT THE BEGINNING OF FISCAL YEAR 1984—Continued

[Dollars in millions]

State	1984 beginning balance	Minus loans outstanding at beginning of 1984	1984 adjusted beginning balances	Adjusted 1984 beginning balance as a percent of total wages in State [3]
Idaho	$11			.3
Illinois	0	$2,378	−$2,378	−3.1
Indiana	87			.3
Iowa	0	146	−146	−1.0
Kansas	154			1.2
Kentucky	0	149	−149	−.9
Louisiana	0	407	−407	−1.6
Maine	24	4	20	.4
Maryland	100			.4
Massachusetts	502			1.2
Michigan	(1)	2,265	−2,265	−4.0
Minnesota	(1)	350	−350	−1.3
Mississippi	220			2.2
Missouri	52	90	−38	−1.3
Montana	7	9	−2	−.1
Nebraska	61			.7
Nevada	99			1.5
New Hampshire	72			1.3
New Jersey	178	425	−247	−.5
New Mexico	81			1.2
New York	988			.7
North Carolina	325			1.0
North Dakota	(1)	1	−1	0
Ohio	170	2,110	−1,940	−2.9
Oklahoma	40			.2
Oregon	129			.9
Pennsylvania	0	2,659	−2,659	−3.8
Puerto Rico	28	51	−23	−.4
Rhode Island	36	90	−54	−1.0
South Carolina	21			.1
South Dakota	12			.5
Tennessee	63			.2
Texas	0	587	−587	−.6
Utah	6			0
Vermont	2	25	−23	0

TABLE 2.—STATE UNEMPLOYMENT TRUST FUND ACCOUNT BALANCES AT THE BEGINNING OF FISCAL YEAR 1984—Continued

[Dollars in millions]

State	1984 beginning balance	Minus loans outstanding at beginning of 1984	1984 adjusted beginning balances	Adjusted 1984 beginning balance as a percent of total wages in State [3]
Virgin Islands	([1])			0
Virginia	$59			.2
Washington	53			.2
West Virginia	0	$266	−$266	−2.9
Wisconsin	613	612	1	0
Wyoming	3			.1
Total [2]	8,299	13,215	−11,962	.5

[1] Less than $500,000.

[2] Figures may not correspond exactly in U.S. Treasury data because of rounding.

[3] Total wages in the State for the year ending June 30, 1983.

Source: U.S. Departments of Labor and Treasury.

The four Federal accounts are: (1) the Employment Security Administration Account (ESAA), which funds administration; (2) the Extended Unemployment Compensation Account (EUCA), which funds the Federal half of the extended benefits program; (3) the Federal Unemployment Account (FUA), which funds loans to insolvent State UC programs; and (4) the Federal Employee Compensation Account (FECA), which funds benefits for Federal civilian and military personnel authorized under 5 U.S.C. 85. Federal unemployment taxes finance the ESAA, EUCA, and FUA, but general revenues finance the FECA. Present law authorizes loans to ESAA, EUCA, and FUA from the general fund, which are interest-free for EUCA and FUA, but interest-bearing for ESAA.

Table 3 summarizes the financial status of these Federal accounts at the beginning of fiscal year 1984. The EUCA and FUA owed the general fund about $20.7 billion. This is an increase of $5.3 billion or 34 percent above the prior year.

TABLE 3.—BALANCES IN THE FEDERAL ACCOUNTS OF THE UNEMPLOYMENT TRUST FUND AT THE BEGINNING OF FISCAL 1984

[In millions of dollars]

Accounts	Beginning balance	Minus general fund advances	Net beginning balance
Employment Security Administration	736	0	736
Extended unemployment compensation	84	−6,220	−6,136
Federal unemployment (State loans)	1,487	−14,480	−12,993
Federal employee compensation	44	0	44
Total	2,351	−20,700	−18,349

Source: U.S. Department of Treasury.

BENEFITS

Coverage

In order to qualify for benefits, an unemployed person usually must have worked recently for a covered employer for a specified period of time and for a certain amount of wages. About 90 million individuals are covered by UC. This is approximately 97 percent of all wage and salary workers or about 9 out of 10 employed persons.

The Federal Unemployment Tax Act (FUTA) covers certain employers that State laws must also cover for employers in the States to qualify for the 2.7 percent Federal credit. Since employers in the States would lose this credit and their employees would not be covered if the States did not have this coverage, all States cover the following groups: (1) Except for nonprofit organizations, State-local governments, certain agricultural labor, and certain domestic service, FUTA covers employers who paid wages of at least $1,500 during any calendar quarter or who employed at least one worker in at least 1 day of each of 20 weeks in the current or prior year; (2) FUTA covers agricultural labor for employers who paid cash wages of at least $20,000 for agricultural labor in any calendar quarter or who employed 10 or more workers in at least 1 day in each of 20 different weeks in the current or prior year. In addition, section 3306(c)(1) of FUTA exempts certain alien farmworkers until January 1986; and (3) FUTA covers domestic service employers who paid cash wages of $1,000 or more for domestic service during any calendar quarter in the current or prior year.

FUTA requires coverage of nonprofit organization employers of at least four workers for 1 day in each of 20 different weeks in the current or prior year and State-local governments without regard to the number of employees. Nonprofit and State-local government organizations are not, however, required to pay Federal unemployment taxes, but instead may choose to reimburse the system for benefits paid to their laid off employees.

States may cover certain employment not covered by FUTA, but most States have not expanded FUTA coverage significantly. The excluded coverage involves: (1) self-employment; (2) certain agricultural labor and domestic service; (3) service for relatives; (4) service of patients in hospitals; (5) certain student interns; (6) certain alien farmworkers; and (7) certain seasonal camp workers.

The number of covered workers receiving unemployment compensation

Although the unemployment compensation (UC) system covers about 90 percent of the employed, table 4 shows that only about 40 percent of the unemployed received UC benefits in December 1983. This compares with a peak of 81 percent of the unemployed receiving UC benefits in April 1975 and a low point of about 33 percent in June 1979 and October 1983.

TABLE 4.—INSURED UNEMPLOYMENT AS A PERCENT OF TOTAL UNEMPLOYMENT

Year	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Avg.
1974.....	53	54	57	60	55	40	43	44	40	42	48	60	50
1975.....	66	73	77	81	79	72	77	79	73	74	76	80	76
1976.....	78	75	76	73	72	58	66	66	60	59	60	63	67
1977.....	67	66	66	66	59	46	52	49	47	48	49	57	56
1978.....	54	54	50	47	44	36	39	42	35	37	34	43	43
1979.....	48	48	47	47	42	33	39	38	37	38	40	49	42
1980.....	52	51	53	52	49	45	49	49	55	49	50	54	50
1981.....	54	50	48	46	40	35	37	37	36	34	38	41	41
1982.....	47	44	48	49	45	40	42	42	43	48	49	47	45
1983 [1]..	50	53	51	53	53	40	39	36	34	33	39	41	44

[1] Preliminary data for the week of the 12th.

Source: USDOL/ETA/UIS, Division of Actuarial Services.

Eligibility

States have developed diverse and complex methods for determining unemployment compensation eligibility. In general there are three major factors: (1) the amount of recent employment and earnings; (2) demonstrated ability and willingness to seek and accept suitable employment; and (3) certain disqualifications related to a claimant's most recent job separation or job offer refusal.

Monetary qualifications

Table 5 shows the State monetary qualification requirements in the base year for the minimum and maximum weekly benefit amounts, and for the maximum total potential benefits. The base year is a recent 1-year period that most States (39) define as the first 4 of the last 5 completed calendar quarters before the unemployed person claims benefits. Most States require employment in at least 2 calendar quarters of the base year. Qualifying wages for the minimum weekly benefit amount vary from $150 in Hawaii to $3,000 in Oklahoma. For the maximum weekly benefit amount, the range is $2,413 in Indiana to $21,050 in West Virginia. The range of qualifying wages for the maximum total potential benefits, which is the product of the maximum weekly benefit amount and the maximum potential weeks of benefits, is $3,360 in Puerto Rico to $21,050 in West Virginia.

TABLE 5.—MONETARY QUALIFICATION REQUIREMENTS FOR MINIMUM AND MAXIMUM WEEKLY BENEFIT AMOUNTS AND MAXIMUM TOTAL POTENTIAL BENEFITS IN 1984[1]

State	Required total earnings in base year			Minimum work in base year (quarters)[3]
	For minimum weekly benefit	For maximum weekly benefit	For maximum potential benefits[2]	
Alabama	$774	$4,302	$9,358	2Q
Alaska	1,000	16,000	16,000	2Q
Arizona	1,500	4,294	8,968	2Q
Arkansas	1,085	7,072	10,605	2Q
California	1,200	5,533	8,630	......
Colorado	1,000	20,072	20,072	......
Connecticut	600	6,720	6,720	2Q
Delaware	720	12,870	12,870	......
District of Columbia	900	7,071	10,712	2Q
Florida	400	6,000	15,601	2Q
Georgia	413	4,687	12,998	2Q
Hawaii	150	5,640	5,640	2Q
Idaho	1,716	5,135	13,351	2Q
Illinois	1,600	4,786	4,786	2Q
Indiana	1,500	2,413	8,736	2Q
Iowa	770	4,111	11,151	2Q
Kansas	1,200	4,890	12,711	2Q
Kentucky	1,500	11,772	11,772	2Q
Louisiana	300	7,669	13,325	2Q
Maine	2,047	4,973	10,373	2Q
Maryland	900	5,760	5,760	2Q
Massachusetts	1,200	5,550	15,416	......
Michigan	2,010	8,620	15,085	2Q
Minnesota	1,305	5,730	14,134	2Q
Mississippi	1,200	4,200	8,190	2Q
Missouri	450	3,150	8,190	2Q
Montana	1,000	6,640	14,027	2Q
Nebraska	600	3,100	9,357	2Q
Nevada	562	5,925	12,324	2Q
New Hampshire	1,700	19,500	19,500	2Q
New Jersey	600	5,070	8,873	2Q
New Mexico	921	4,712	6,283	2Q
New York	1,340	6,780	6,780	2Q
North Carolina	1,368	6,454	12,948	2Q
North Dakota	2,340	6,708	15,652	2Q

TABLE 5.—MONETARY QUALIFICATION REQUIREMENTS FOR MINIMUM AND MAXIMUM WEEKLY BENEFIT AMOUNTS AND MAXIMUM TOTAL POTENTIAL BENEFITS IN 1984 [1]—Continued

State	Required total earnings in base year			Minimum work in base year (quarters) [3]
	For minimum weekly benefit	For maximum weekly benefit	For maximum potential benefits [2]	
Ohio	1,702	5,880	7,644	2Q
Oklahoma	3,000	6,937	7,000	2Q
Oregon	1,000	15,760	15,760	2Q
Pennsylvania	1,320	8,480	8,480	2Q
Puerto Rico	280	3,360	3,360	2Q
Rhode Island	1,340	5,963	12,524	2Q
South Carolina	900	4,563	9,201	2Q
South Dakota	1,568	7,224	10,059	2Q
Tennessee	1,463	7,295	11,960	2Q
Texas	1,013	6,788	17,522	2Q
Utah	1,200	4,316	15,985	2Q
Virgin Islands	396	3,900	3,900	2Q
Vermont	700	5,820	5,820	2Q
Virginia	2,200	6,900	13,800	2Q
Washington	1,237	4,625	16,650	
West Virginia	1,150	21,050	21,050	2Q
Wisconsin	2,106	7,020	12,870	2Q
Wyoming	960	6,280	13,607	2Q

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[1] Based on benefits for total unemployment. Amounts payable can be stretched out over a longer period in the case of partial unemployment.

[2] Based on maximum weekly benefit amount paid for maximum number of weeks. Total potential benefits equal a worker's weekly benefit amount times this potential duration.

[3] Number of quarters of work in base year required to qualify for minimum benefits. "2Q" denotes that State directly or indirectly requires work in at least 2 quarters of the base year. States without an entry have the minimum work requirement specified as a wage amount.

Source: U.S. Department of Labor.

Since the beginning of 1983, 12 States increased the required earnings in the base year to qualify for the minimum weekly benefit amount. The percentage increases ranged from 16 percent in Arkansas to 326 percent in Ohio. One State, Minnesota, reduced its qualification requirement for the minimum weekly benefit amount by 24 percent.

Thirty-two States increased the qualification requirement for the maximum weekly benefit amount, but five States reduced this requirement. The changes ranged from minus 17 percent in Delaware to 84 percent in Tennessee.

Twenty-six States increased their qualification requirements for maximum potential benefits while seven States cut these requirements. The changes varied from minus 54 percent in Oklahoma to 39 percent in New York.

Ability to work and availability for work

All State laws provide that a claimant must be: (1) able to work; and (2) available for work. A claimant must meet these conditions continually to receive benefits.

Only minor variations exist in State laws setting forth the requirements concerning "ability to work." A few States specify that a claimant must be mentally and physically able to work.

"Available for work" is often translated to mean being ready, willing, and able to work. In addition to registration for work at a local employment office, most State laws require that a claimant actively seek work or make a reasonable effort to obtain work. Generally, a person may not refuse an offer of or referral to "suitable work" without good cause.

"Suitable work" is generally work in a claimant's customary occupation, which meets certain health, safety, moral, and labor standards. Most State laws list certain criteria by which the "suitability" of a work offer is to be tested. The usual criteria include the degree of risk to a claimant's health, safety, and morals; the physical fitness and prior training, experience, and earnings of the person; the length of unemployment and prospects for securing local work in a customary occupation; and the distance of the available work from the claimant's residence. Generally, as the length of unemployment increases the claimant is required to accept a wider range of jobs.

In addition, Federal law requires States to deny benefits provided under the extended benefit and Federal supplemental compensation programs to any individual who fails to accept any work that is offered in writing or is listed with the State employment service, or fails to apply for any work to which he or she is referred by the State agency, if the work is within the person's capabilities, pays wages equal to the highest of the Federal or any State or local minimum wage, pays a gross weekly wage that exceeds the person's average weekly unemployment compensation benefits plus any supplemental unemployment compensation (usually private) payable to the individual, and is consistent with the State definition of "suitable" work in other respects.

States must refer extended benefits claimants to any job meeting these requirements. If the State, based on information provided by the individual, determines that the individual's prospects for obtaining work in his or her customary occupation within a reasonably short period are good, the determination of whether any work is "suitable work" is made in accordance with State law rather than the above.

There are certain circumstances under which Federal law provides that State and extended benefits may not be denied. A State may not deny benefits to an otherwise eligible individual for refusing to accept new work under any of the following conditions: (1) If the position offered is vacant due directly to a strike, lockout, or other labor dispute; (2) if the wages, hours, or other conditions of the work offered are substantially less favorable to the individual than in those prevailing for similar work in the locality; (3) if as a condition of being employed the individual would be required to join a company union or to resign from or refrain from joining any bona fide labor organization. Further, benefits may not be denied solely on the grounds of pregnancy. The State is prohibited from canceling wage credits or totally denying benefits except in cases of misconduct, fraud, or receipt of disqualifying income.

There are also certain conditions under which Federal law requires that benefits be denied. For example, benefits must be denied to teachers and other professional employees of education institutions during summer (and other vacation periods) if they have a reasonable assurance of reemployment; to professional athletes between sport seasons; and to aliens not legally admitted to work in the United States. Also, nonprofessional employees of educational institutions must be denied benefits between academic terms after March 31, 1984.

Disqualifications

The major causes for disqualification from benefits are not being able to work or available for work, voluntary separation from work without good cause, discharge for misconduct connected with the work, refusal of suitable work without good cause, and unemployment resulting from a labor dispute. Disqualification for one of these reasons may result in a postponement of benefits for some prescribed period, a cancellation of benefit rights, or a reduction of benefits otherwise payable.

Of the 23.3 million "monetarily eligible" initial UI claims in fiscal year 1983, 16.9 percent were disqualified. This figure subdivides into 4.6 percent for not being able to work or available for work, 4.3 percent for voluntarily leaving a job without good cause, 2.8 percent for being fired for misconduct on the job, 0.2 percent for refusing suitable work, and 5.0 percent for committing other disqualifying acts. The total disqualification rate ranged from a low of 3.4 percent in Tennessee to a high of 76 percent in Nebraska with Colorado the next highest at 51 percent. (Note that a claimant can be disqualified for any week claimed so that it is possible for a claimant to be disqualified more times than the total number of his initial claims in his benefit year.)

Federal law requires that benefits provided under the extended benefits program will be denied to an individual for the entire spell of his or her unemployment if he or she was disqualified from receiving State benefits because of voluntarily leaving employment, discharge for misconduct, or refusal of suitable work. Extended benefits will be denied even though the disqualification was subsequently lifted with respect to the State benefits prior to reemployment. The person could receive extended benefits, however, if the disqualification is lifted because he or she became reemployed and met the work or wage requirement of State law.

Ex-service members

The Omnibus Budget Reconciliation Act of 1981 (Public Law 97-35) established new requirements for the payment of benefits to ex-service members under the unemployment compensation for ex-service members (UCX) program. Under the act, benefits were limited to individuals who (1) had 365 or more days of military service; (2) were discharged or released under honorable conditions; (3) did not resign or voluntarily leave the service (i.e., they were not eligible for reenlistment); and (4) were not released or discharged "for cause" as defined by the Department of Defense. The requirements applied to individuals who left Federal military service on or after July 1, 1981, but only for weeks of unemployment that began on or after August 13, 1981, the date of enactment of Public Law 97-35.

The Miscellaneous Revenue Act of 1982 (Public Law 97-362) modified the above eligibility requirements for ex-service members. Federal unemployment benefits are now payable to unemployed ex-service members who: (1) are separated under honorable conditions (and, in the case of officers, did not resign for the good of the service); and (2) have completed the first full term of active service they agreed to serve. Ex-service members who are separated prior to completing their first full term of active service can qualify for unemployment compensation benefits if they are separated under honorable conditions: (a) for the convenience of the Government under an early release program; (b) because of medical disqualification, pregnancy, parenthood, or any service-incurred injury or disability; (c) because of hardship; or (d) if they have served for 365 continuous days, because of personality disorder or inaptitude. In addition to these eligibility requirements, ex-service members must wait 4 weeks from the date of their separation from the service before they may receive benefits. The maximum number of weeks of benefits an ex-service member may receive based on his employment in the military is 13. These eligibility provisions are effective for separations from the service on or after July 1, 1981, but only for weeks of unemployment beginning on or after October 25, 1982.

Pension offset

The Unemployment Compensation Amendments of 1976 (Public Law 94-566) required all States to reduce an individual's unemployment compensation benefits by the amount of any governmental or private pension or retirement pay received by the individual. Public Law 96-364 modified this offset requirement.

Under current law, States are required to make the offset only in those cases in which the work-related pension was maintained or contributed to by a "base period" or "chargeable" employer. Entitlement to, and the amount and duration of, unemployment benefits are based on work performed during this State-specified base period. A "chargeable" employer is one whose account will be charged for unemployment compensation received by the individual.

States are allowed to reduce the amount of the offset by an amount consistent with any contribution the employee made toward the pension. For example, this allows States to limit the offset to one-half of the amount of a social security pension received by an individual who qualifies for unemployment benefits.

Taxation of unemployment insurance benefits

The amount of unemployment insurance benefits subject to Federal tax is, generally, an amount equal to the lower of the amount of unemployment compensation or one-half the excess of adjusted gross income, unemployment insurance payments, and excludable disability income over $12,000 for single taxpayers, over $18,000 for married taxpayers filing jointly, and over zero for married taxpayers filing separately. The threshold under prior law was $20,000 for single taxpayers and $25,000 for married taxpayers filing jointly.

The following is an example of how to compute the amount of unemployment compensation subject to Federal income tax for a husband and wife filing jointly:

Adjusted gross income	$17,000
Unemployment compensation	2,000
Excludable disability income	0

In determining the amount of unemployment compensation subject to Federal income tax, the taxpayer first adds adjusted gross income ($17,000) plus unemployment compensation ($2,000) plus excludable disability income ($0). This equals $19,000 in this example.

The amount of unemployment compensation subject to Federal income tax is the lesser of:

(1) the total amount of unemployment compensation ($2,000 in this example); or

(2) one-half the excess of adjusted gross income, unemployment compensation, and excludable disability income over $18,000. The excess is $1,000 in this example ($19,000 minus $18,000). One-half the excess equals $500.

The amount of unemployment compensation subject to Federal income tax for this taxpayer is $500. This amount would be added to their adjusted gross income, giving them a total adjusted gross income of $17,500.

Amount and duration of weekly benefits

In general, the States set weekly benefit amounts as a fraction of the individual's average weekly wage up to some State-determined maximum. Generally, the total maximum duration available under current law, including the temporary Federal supplemental compensation program, is between 34 and 53 weeks. The permanent, regular State programs usually provide up to 26 weeks. (Only Puerto Rico provides fewer weeks, providing a maximum of 20 weeks of benefits.) The permanent Federal-State extended benefits program provides up to 13 additional weeks in States where unemployment rates are relatively high. The temporary Federal supplemental compensation (FSC) program provides up to 8 to 14 additional weeks in all States, depending on unemployment rates in each State. The FSC program expires, however, after March 31, 1985.

The State-determined weekly benefit amounts generally replace between 50 and 70 percent of the individual's average weekly pretax wage up to some State-determined maximum. The average weekly wage is often calculated only from the calendar quarter in the base year in which the claimant's wages were highest. The State-determined maximum weekly benefit amounts generally vary between 50 and 70 percent of the average weekly covered wage in each State. Individual wage replacement rates tend to vary inversely with the claimant's average weekly pretax wage with high wage earners receiving lower wage replacement rates. Partly as a result, the national average weekly benefit amount as a percent of the average weekly covered wage was only 38 percent in fiscal year 1983.

Table 6 shows the minimum and maximum weekly benefit amounts and potential duration for each State program. In fiscal year 1983, the national average weekly benefit amount was $120.20 and the average duration was 18.1 weeks, making the average total benefits $2,176. The minimum weekly benefit amounts for 1984 vary from $5 in Hawaii to $60 in North Dakota. The maximum weekly benefit amounts range from $84 in Indiana and Puerto Rico to $278 in Massachusetts. Most States vary the duration of benefits with the amount of earnings the claimant has in his base year. Ten States provide the same duration, however, for all claimants. The minimum durations range from 1 week in Wisconsin to 28 weeks in West Virginia. The maximum duration is 26 weeks in 49 States. Only Puerto Rico has a maximum duration of fewer than 26 weeks at 20 weeks and 3 States have maximum durations higher than 26 weeks up to 30 weeks in Massachusetts and Washington.

Since the beginning of 1983, 12 States increased their minimum weekly benefit amounts and 2 States cut these amounts. The changes ranged from minus 17 percent in Wyoming to 73 percent in Minnesota. Twenty-six States raised their maximum weekly benefit amounts and five reduced these amounts. The changes ranged from minus 13 percent in Wyoming to 36 percent in New York. Also, five States lowered their minimum potential duration and two States increased it. Four States lowered their maximum duration to 26 weeks.

TABLE 6.—AMOUNT AND DURATION OF WEEKLY BENEFITS FOR TOTAL UNEMPLOYMENT UNDER THE REGULAR STATE PROGRAMS

State	1984 weekly benefit amount[1]		1983 average weekly benefit	1984 potential duration (weeks)		1983 average duration (weeks)
	Minimum	Maximum		Minimum	Maximum	
Alabama	$22	$120	$80	11	26	14
Alaska	34–58	156–228	133	16	26	15
Arizona	40	115	103	12	26	18
Arkansas	39	136	96	10	26	14
California	30	166	105	12	26	18
Colorado	25	194	149	7	26	14
Connecticut	15–22	168–252	127	26	26	14
Delaware	20	165	94	18	26	15
District of Columbia	13–14	206	147	13	26	23
Florida	10	150	97	10	26	14
Georgia	27	125	97	4	26	11
Hawaii	5	188	126	26	26	16
Idaho	45	159	117	10	26	14
Illinois	50	161–209	[2] 153	26	26	21
Indiana	40	84–141	94	9	26	15
Iowa	22–27	143–176	142	11	26	15
Kansas	40	163	132	10	26	18
Kentucky	22	140	109	15	26	18

TABLE 6.—AMOUNT AND DURATION OF WEEKLY BENEFITS FOR TOTAL UNEMPLOYMENT UNDER THE REGULAR STATE PROGRAMS—Continued

State	1984 weekly benefit amount[1]		1983 average weekly benefit	1984 potential duration (weeks)		1983 average duration (weeks)
	Minimum	Maximum		Minimum	Maximum	
Louisiana	10	205	157	12	26	20
Maine	22–27	133–199	106	7	26	18
Maryland	25–28	165	122	26	26	17
Massachusetts	14–21	185–278	121	9	30	17
Michigan	55	197	153	15	26	17
Minnesota	52	191	140	11	26	18
Mississippi	30	105	87	13	26	16
Missouri	14	105	93	10	26	14
Montana	41	166	129	8	26	14
Nebraska	12	120	96	17	26	14
Nevada	16	158	120	11	26	16
New Hampshire	26	141	98	26	26	10
New Jersey	20	170	123	15	26	17
New Mexico	29	145	111	19	26	18
New York	35	170	101	26	26	21
North Carolina	15	166	107	13	26	12
North Dakota	60	172	136	18	26	15
Ohio	10	147–233	144	20	26	18
Oklahoma	16	185	141	20	26	14
Oregon	46	197	121	7	26	17
Pennsylvania	35–40	204–222	152	16	26	20
Puerto Rico	7	84	64	20	20	NA
Rhode Island	37–42	164–184	111	12	26	15
South Carolina	21	118	93	14	26	13
South Dakota	28	129	113	18	26	14
Tennessee	30	115	88	12	26	16
Texas	27	182	136	14	26	16
Utah	10	166	132	10	26	16
Vermont	18	146	110	26	26	16
Virginia	44	138	111	12	26	11
Virgin Islands	15	130	99	26	26	18
Washington	51	185	137	16	30	19
West Virginia	18	223	140	28	28	20
Wisconsin	37	196	142	1	26	17
Wyoming	20	157	142	12	26	17

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[1] A range of amounts is shown for those States which provide dependents allowances.

[2] Effective beginning in February 1984.

NA: Not available.

Source: U.S. Department of Labor.

EXTENDED BENEFITS

The extended benefits program provides one-half of a claimant's total State benefits up to 13 weeks in States with an activated program for a combined maximum of 39 weeks of regular and extended benefits. Weekly benefit amounts are identical to the State benefits for each claimant. The program activates in a State under two conditions: (1) if the State's 13-week average insured unemployment rate (IUR) in the most recent weeks is at least 120 percent of the average of its 13-week IUR's in the last 2 years for the same 13-week calendar period and its current 13-week average IUR is at least 5.0 percent; or (2) at State option, if its current 13-week average IUR is at least 6.0 percent. Only 13 State programs have not adopted the second, optional condition. The 13-week average IUR is the ratio of the average number of insured unemployed persons under the regular State programs in the last 13 weeks to the average covered employment in the first 4 of the last 6 completed calendar quarters. Table 7 shows the 13-week IUR's by State for the first week in January 1981, 1982, 1983, and 1984. As indicated in the last column, there was one State (Alaska) and Puerto Rico with an activated EB program in the first week of January 1984.

TABLE 7.—STATE EXTENDED BENEFIT INDICATORS FOR THE FIRST WEEK IN JANUARY 1981, 1982, 1983, AND 1984, AND EB AND FSC BENEFIT WEEKS FOR JANUARY 1984

	13-week insured unemployment rate				Percent of prior 2 years	LIUR [1]	FSC weeks	EB weeks
	1981	1982	1983	1984				
Alabama	4.36	4.31	6.00	3.79	73	5.28	12	0
Alaska	7.67	6.85	6.89	6.10	88	6.35	14	13
Arizona	2.31	2.49	4.36	2.19	64	3.82	8	0
Arkansas	4.78	4.84	6.08	3.75	66	5.40	12	0
California	3.73	3.84	5.32	3.86	82	5.12	12	0
Colorado	1.93	2.05	3.45	2.60	91	3.10	8	0
Connecticut	2.53	2.55	3.42	2.06	65	3.32	8	0
Delaware	3.55	3.41	3.17	2.01	57	3.24	8	0
Dist. of Col.	2.58	2.03	3.82	2.55	71	3.60	8	0
Florida	1.81	1.79	2.58	1.48	66	2.35	8	0
Georgia	2.32	2.97	3.46	1.91	59	3.08	8	0
Hawaii	2.86	3.29	3.58	3.13	90	3.54	8	0
Idaho	4.39	5.83	6.81	4.64	73	6.79	14	0
Illinois	4.35	4.09	5.84	3.61	72	5.53	14	0
Indiana	3.38	3.75	5.18	2.63	58	4.60	12	0
Iowa	3.05	3.10	4.25	2.63	71	4.41	10	0
Kansas	2.56	2.41	4.26	2.47	72	3.78	8	0
Kentucky	4.73	4.63	5.92	3.59	64	5.77	14	0
Louisiana	2.46	2.79	5.36	4.22	103	5.06	12	0
Maine	4.26	4.00	4.42	3.78	89	4.76	12	0
Maryland	3.05	3.40	4.26	2.69	68	4.11	8	0
Massachusetts	3.19	3.45	3.93	2.48	64	3.75	8	0

TABLE 7.—STATE EXTENDED BENEFIT INDICATORS FOR THE FIRST WEEK IN JANUARY 1981, 1982, 1983, AND 1984, AND EB AND FSC BENEFIT WEEKS FOR JANUARY 1984—Continued

	13-week insured unemployment rate				Percent of prior 2 years	LIUR [1]	FSC weeks	EB weeks
	1981	1982	1983	1984				
Michigan	6.14	6.18	7.43	3.39	47	6.62	14	0
Minnesota	2.72	2.87	4.05	2.56	73	3.87	8	0
Mississippi	3.97	4.31	6.19	3.63	69	5.82	14	0
Missouri	3.91	3.76	4.32	2.84	70	4.14	8	0
Montana	3.93	4.13	4.89	4.26	89	5.20	12	0
Nebraska	1.77	2.06	1.77	2.20	92	2.84	8	0
Nevada	3.50	3.66	4.92	3.27	76	4.53	12	0
New Hampshire	1.98	2.06	2.87	1.45	58	2.66	8	0
New Jersey	4.26	4.15	[1] 4.24	3.11	71	4.47	10	0
New Mexico	2.87	2.57	4.07	3.22	96	4.00	8	0
New York	3.58	3.34	3.85	3.08	82	3.76	8	0
North Carolina	3.06	3.69	4.58	2.21	53	4.11	10	0
North Dakota	2.52	2.15	3.20	2.67	91	3.57	8	0
Ohio	4.43	4.79	6.06	3.21	58	5.51	14	0
Oklahoma	1.52	1.44	4.06	2.09	75	3.14	8	0
Oregon	5.09	6.55	6.63	4.81	72	6.78	14	0
Pennsylvania	4.66	4.78	7.30	4.73	78	6.69	14	0
Puerto Rico	7.87	8.67	8.96	6.63	75	8.60	11	10
Rhode Island	4.52	4.85	5.24	3.53	70	5.65	14	0
South Carolina	3.78	4.38	5.63	2.58	55	4.89	12	0
South Dakota	2.11	2.00	[1] 2.08	1.10	57	2.16	8	0
Tennessee	4.02	4.39	[1] 4.53	2.79	58	4.59	12	0
Texas	1.53	0.99	2.85	1.88	95	2.27	8	0
Utah	2.95	3.03	4.83	2.75	69	4.58	12	0
Vermont	3.95	3.80	4.99	3.38	76	4.88	12	0
Virgin Islands	1.73	1.87	4.18	1.23	58	2.24	8	0
Virginia	2.78	3.48	2.30	3.67	93	4.73	12	0
Washington	4.57	5.53	6.60	5.03	80	6.45	14	0
West Virginia	5.48	4.72	8.59	5.55	79	7.92	14	0
Wisconsin	5.04	4.91	5.74	3.93	73	5.68	14	0
Wyoming	1.56	1.79	4.54	3.10	96	4.32	8	0
U.S. average	3.79	3.90	5.23	3.26	NA	4.46	NA	NA

[1] Long term IUR computed for weeks beginning on or after Jan. 1, 1982, and before October 1, 1983.

NA—Not available.

Source: U.S. Department of Labor.

FEDERAL SUPPLEMENTAL COMPENSATION

The Tax Equity and Fiscal Responsibility Act of 1982 (Public Law 97-248) established the Federal supplemental compensation program (FSC) which provides additional weeks of unemployment compensation to individuals who have exhausted their regular State benefits and any extended benefits to which they were entitled. Weekly benefit amounts are identical to regular State program benefits for each claimant. As originally enacted, the FSC program provided 10, 8, or 6 additional weeks of benefits. The Surface Transportation Assistance Act of 1982 (Public Law 97-424) increased the maximum number of weeks of FSC benefits to 16, 14, 12, 10, or 8, depending on the State where the individual qualified for the benefits between September 12, 1982 and March 31, 1983. The program was extended from March 31, 1983, through September 30, 1983, by the Social Security Amendments of 1983 (Public Law 98-21) and provided 8 to 14 weeks of benefits during this period. Public Law 98-118 extended the program for 3 weeks from September 30, 1983, through the week of October 16, 1983.

CURRENT LAW

The Federal Supplemental Compensation Amendments of 1983 (Public Law 98-135) extended the FSC program from the week of October 23, 1983, through the week of March 31, 1985.

Basic FSC benefits.—Under this extension the number of basic weeks of FSC payable in the States ranges from 8 to 14 weeks. The maximum in each State is determined by the State's moving 13 week average insured unemployment rate (IUR), as determined in the current extended benefit and FSC programs, *or* the State's cumulative average IUR since January 1, 1982, and through the second preceding calendar quarter. (To determine basic FSC weeks payable the week of October 23, 1983, the first week of this extension, the cumulative average IUR included the weeks of January 1, 1982 through June 1983.)

A maximum of:

(a) 14 weeks is payable in States with a moving 13 week average insured unemployment rate (IUR) of at least 6.0 percent *or* a cumulative average IUR since January 1, 1982 of at least 5.5 percent.

(b) 12 weeks is payable in States with a moving 13 week average IUR 5.0 to 5.9 percent *or* a cumulative average IUR since January 1, 1982 of 4.5 to 5.4 percent.

(c) 10 weeks is payable in States with a moving 13 week average IUR 4.0 to 4.9 percent.

(d) 8 weeks is payable in all other States.

Unemployed workers who first apply for FSC benefits for or after the week of October 23, 1983 receive weeks of FSC benefits equal to 55 percent of the number of weeks of regular State unemployment benefits they received, up to the maximum number of basic FSC benefits payable in the State in the week in which they first file their claims.

The long term insured unemployment rate and the maximum number of weeks of FSC payable in each State is shown in Table 7.

Limitation on reduction of basic weeks payable in a State.—Beginning with the week of October 23, 1983, (a) the maximum number of basic weeks payable in a State will be adjusted (up or down) no more frequently than every 13 weeks; and (b) a single adjustment shall not exceed 2 weeks.

Limitation on reduction of FSC weeks payable to individuals.—Beginning with the week of October 23, 1983, individuals will continue to be eligible for the number of FSC weeks to which they were entitled at the time they first qualified for FSC, regardless of changes (up or down) in the number of basic weeks payable in the State. As under current law, an individual who makes an interstate claim for FSC benefits will receive the lesser of (a) the number of weeks of FSC payable in the State in which he receives the benefits or (b) the maximum number of weeks payable in his or her former State.

HYPOTHETICAL WEEKLY BENEFIT AMOUNTS FOR VARIOUS WORKERS IN THE REGULAR STATE PROGRAMS

The following table (table 8) illustrates the amount of benefits various full-year workers can receive in regular State programs. All of the benefit amounts are for January 1984. The first column A of the table is for a full-time worker earning the minimum wage; the second column B is for a worker earning $6 per hour, while the third column C shows benefit amounts for a worker earning $9 per hour. The final column D is a part-time worker earning the minimum wage and working 20 hours per week. The weekly benefit amount for the minimum wage worker varies from $29 to $139. The maximum amount a worker can receive in these examples (column C) in each State varies considerably, from $80 to $228 per week.

TABLE 8.—WEEKLY BENEFIT AMOUNT FOR VARIOUS FULL-YEAR WORKERS IN SELECTED STATES

	A	B	C	D
Alabama	73	120	120	36
Arkansas	67	120	136	33
Alaska	104	148	228	76
Arizona	70	115	115	....
California	68	105	142	38
Colorado	80	144	180	41
Connecticut	77	130	198	44
Delaware	29	53	80	20
District of Columbia	76	136	204	38
Florida	67	120	150	33
Georgia	69	124	125	34
Hawaii	70	125	188	35
Idaho	67	120	159	....
Illinois	74	122	209	37
Indiana	75	99	128	....

TABLE 8.—WEEKLY BENEFIT AMOUNT FOR VARIOUS FULL-YEAR WORKERS IN SELECTED STATES—Continued

	A	B	C	D
Iowa	79	141	176	39
Kansas	75	133	163	40
Kentucky	83	140	140	41
Louisiana	70	125	188	35
Maine	84	138	148	45
Maryland	73	130	165	37
Massachusetts	67	120	192	33
Michigan	76	126	188	....
Minnesota	70	120	180	40
Mississippi	67	105	105	34
Missouri	79	105	105	40
Montana	67	120	166	41
Nebraska	72	120	120	38
Nevada	69	124	158	34
New Hampshire	83	117	141	46
New Jersey	90	161	161	45
New Mexico	67	120	145	34
New York	67	120	170	35
North Carolina	67	120	166	34
North Dakota	67	120	172	....
Ohio	67	120	187	34
Oklahoma	69	124	185	34
Oregon	87	156	197	46
Pennsylvania	77	132	197	43
Puerto Rico	67	84	84	34
Rhode Island	78	137	184	42
South Carolina	67	118	118	34
South Dakota	67	120	129	33
Tennessee	112	115	115	67
Texas	70	125	182	35
Utah	68	121	166	34
Virgin Islands	70	125	130	35
Vermont	67	120	146	34
Virginia	69	124	138	....
Washington	139	185	185	69
West Virginia	74	131	197	37
Wisconsin	67	120	180	34
Wyoming	69	124	157	34

A. $3.35/hr. wage; 40 hrs./wk.; 52 wks./yr.; nonworking spouse; no children.
B. $6.00/hr. wage; 40 hrs./wk.; 52 wks./yr.; nonworking spouse; no children.
C. $9.00/hr. wage; 40 hrs./wk.; 52 wks./yr.; nonworking spouse; 2 children.
D. $3.35/hr. wage; 20 hrs./wk.; 52 wks./yr.; nonworking spouse; no children.

Source: U.S. Department of Labor.

FINANCING

The Federal unemployment tax

Total unemployment taxes on employers for a full-time, full-year worker earning at least $7,000 in 1984 probably will average about $252 or 12 cents per hour. The Federal portion is $56 or 3 cents per hour and the average State portion is about $196 or 9 cents per hour. The State portion will vary substantially, however, depending on the State taxable wage base, State tax rates, and reduced Federal credits.

The Federal Unemployment Tax Act (FUTA) currently imposes a minimum, net Federal payroll tax on employers of 0.8 percent on the first $7,000 paid annually to each employee. The gross FUTA tax rate is 3.5 percent, but employers in States meeting certain Federal requirements and having no delinquent Federal loans are eligible for a 2.7 percent credit, making the minimum, net Federal tax rate 0.8 percent.

Effective beginning in 1985, the gross FUTA rate will be 6.2 percent and the credit will be 5.4 percent, maintaining the minimum, net FUTA rate at 0.8 percent, but raising the maximum potential tax rate in debtor States from 3.5 percent to 6.2 percent. This will force 32 States to raise their maximum State tax rates to at least 5.4 percent and will force any State tax rates below 5.4 percent to be "experience rated." If these States do not make the appropriate changes, their employers would lose the 5.4 percent FUTA credit. Employers covered by State law that currently permit a constant tax rate (not "experience rated") of at least 2.7 percent but less than 5.4 percent will be allowed, however, to phase in the required increase over a 5-year time span at a rate of at least 20 percent per year.

Employers in States with delinquent Federal loans may face increases in their FUTA tax rate stemming from automatic reductions in the FUTA credit. States with outstanding loans from the Federal Government must repay them fully by November 10 of the calendar year in which the second consecutive January first passes with the State still having an outstanding loan. This means that a State may have from about 22 to 34 months to repay the loan without penalty, depending on when it obtained the outstanding loan. If it does not repay fully by the appropriate November 10, it becomes subject to an annual credit reduction beginning with the preceding January 1 until the State repays the loan fully. Employers must pay the additional taxes resulting from the credit reduction no later than January 31 of the next calendar year.

The credit reduction is at least 0.3 percent per year beginning with the calendar year in which the second consecutive January first passes during which the loan is outstanding and ending in the tenth ensuing calendar year with a 0.1 percent increase to the maximum FUTA tax rate of 3.5 percent. There are two potential additional credit reductions during the ensuing calendar years in which a State has an outstanding advance: (1) in the calendar years after which the third and fourth consecutive January firsts pass, the employers in the State face a reduction by the amount that 2.7 percent exceeds the State's average tax rate on taxable wages in the calendar year to which the reduction applies; (2) in the calendar years in which the fifth through ninth consecutive January firsts pass, the employers face a reduction equal to the higher of the amount in (1) or the amount that the State's 5-year benefit cost rate exceeds the State's average tax rate on taxable wages in the calendar year to which the reduction applies. The 5-year benefit-cost rate is one-fifth of the UC benefits paid in the first 5 of the last 6 completed calendar years preceding the calendar year to which the credit reduction applies divided by taxable wages in the last calendar year.

The Omnibus Budget Reconciliation Act of 1981 modified FUTA provisions regarding Federal unemployment loans to the States. States are now charged interest on new loans that are not repaid by the end of the fiscal year in which they are obtained. Under previous law, States could receive these loans interest-free. The interest rate is the same rate as that paid by the Federal Government on State reserves in the Federal Unemployment Trust Fund for the quarter ending December 31 of the preceding year, but not higher than 10 percent per annum. A State may not pay the interest directly or indirectly from funds in their State accounts in the Federal Unemployment Trust Fund.

Employers in 16 States were subjected to a reduction in FUTA offset credit for taxable year 1983. The States were:

Arkansas
Connecticut
Delaware
District of Columbia
Illinois
Kentucky
Michigan
Minnesota
New Jersey
Ohio
Pennsylvania
Puerto Rico
Rhode Island
Vermont
Virgin Islands
West Virginia

The Omnibus Budget Reconciliation Act of 1981 (Public Law 97-35) added a new subsection (f) to section 3302 of FUTA which under certain conditions fully limits the FUTA tax credit reduction to an amount which does not exceed the greater of 0.6 percent of wages subject to FUTA or the percentage reduction that was in effect for the preceding taxable year.

To qualify for a full cap in taxable year 1983, a State must have taken no action in the 12 months ending September 30, 1983, unless required under State law in effect before August 13, 1981, which has resulted or will result in:

(1) A reduction in the State's unemployment tax effort;

(2) A net decrease in the solvency of the State unemployment compensation system;

and, further, that:

(3) The State unemployment tax rate for the calendar year equals or exceeds the average benefit-cost ratio for calendar years in the five-calendar-year period ending with calendar year 1982; and

(4) The outstanding balance of advances to the State on September 30 of calendar year 1983 was not greater than the outstanding balance for such State on September 30, 1981.

Under these criteria seven States qualifed for the full cap and were subject to reduced FUTA credits for 1983 as follows:

	Percent
Connecticut	0.7
Delaware	.6
New Jersey	.6
Puerto Rico	.6
Rhode Island	.6
Vermont	.6
Virgin Islands	.6

Section 512(a) of the Social Security Amendments of 1983 (P.L. 98-21) added a new paragraph (8) to section 3302(f) of FUTA which under certain conditions partially limits the FUTA tax credit reduction.

> (5) If a State meets the requirements of (1) and (2), and (3) or (4), above, the reduction in credits otherwise applicable to employers in the State for 1983 are reduced by 0.1 percentage point, but not below the higher of 0.6 percent and the rate for the prior year.
>
> (6) If a State meets the requirements of (1) and (2) above, and also meets the requirements of section 1202(b)(8)(B) of the Social Security Act of 1983, the reduction in credits otherwise applicable to employers in the State for 1983 are reduced by 0.2 percentage points, but not below the higher of 0.6 percent and the rate for the prior year.

Under these criteria three States qualified for a partial cap and were subject to reduced FUTA credits for 1983 as follows:

	Percent
District of Columbia	1.1
Illinois	.7
Pennsylvania	.7

Six States were not affected by the full or partial cap and were subject to reduced FUTA credits for 1983 as follows:

	Percent
Arkansas	0.6
Kentucky	.3
Michigan	.6
Minnesota	.6
Ohio	.6
West Virginia	.6

Interest due on State loans from the Federal Unemployment Account can be deferred or reduced if the State meets certain requirements. These interest relief options available to the States are:

> *(1) High unemployment deferral.*—Section 1202(b)(3)(C) of the Social Security Act (SSA) allows a State to defer 75 percent of

interest otherwise due if the rate of insured unemployment under the State law for the period consisting of the first 6 months of the preceding calendar year equaled or exceeded 7.5 percent. The State must pay 75 percent of interest otherwise due in three annual installments of at least 25 percent beginning with the year after the year in which it was due. The interest deferred does not accrue interest.

(2) Legislative action deferral.—Section 1202(b)(8) of the SSA allows a State to defer 80 percent of interest otherwise due if the State has taken no action since October 1, 1982, to reduce the State's tax effort or unemployment fund solvency and has taken action after March 31, 1982, which increases revenues to the State's unemployment fund and decreases benefits by at least 25 percent in the calendar year for which the first deferral is requested; deferrals for the second and third years immediately following the year in which the first year change is effective are available if the States produces a solvency effort of at least 35 and 50 percent, respectively. The State must pay 80 percent of interest otherwise due in four annual installments of at least 20 percent beginning with the year after the year in which it was due. Interest does not accrue on deferred interest. This type of deferral is available for 1983, 1984, and 1985 only. Once a deferral is approved, a State must continue to maintain its solvency effort. Failure to do so will result in the State being required to make immediate payment of all deferred interest.

(3) Average tax rate deferral.—Section 1202(b)(8) of the SSA allows a State to defer 80 percent of interest otherwise due if the State has taken no action since October 1, 1982, to reduce the State's tax effort or unemployment fund solvency, and for taxable year 1982, total State unemployment compensation revenues to the unemployment fund equal at least 2 percent of total wages paid by employers covered under the State unemployment compensation law. The State must pay 80 percent of interest otherwise due in four annual installments of at least 20 percent beginning with the year after the year in which it was due. Interest does not accrue on deferred interest. This type of deferral is available for 1983, 1984, and 1985 only.

(4) High unemployment delay of payment due.—Section 1202(b)(9) of the SSA allows a State to delay up to 9 months the payment of interest due September 30 of any calendar year after 1982 during which the average total unemployment rate (TUR) in the State was 13.5 percent or higher for the most recent 12-month period for which data are available.

(5) Discounted interest rate.—Section 1202(b)(8)(D) of the SSA allows a State to receive a discounted interest rate that would be one percentage point below the interest rate that would otherwise apply. The discounted rate for interest due prior to October 1, 1983, would be 9.0 percent. This discounted interest rate is available to a State which has taken on action since October 1, 1982, to reduce the State's tax effort or unemployment fund solvency and has taken action since March 31, 1982, which produces a solvency effort of at least 50, 80, and 90 percent rather than 25, 35, and 50 percent, respectively, as speci-

fied under the legislative action deferral. A discounted interest rate is available for 1983, 1984, and 1985 payments only.

For interest payments due in 1983, the following States met the criteria specified by law to qualify for the relief shown.

State	Option
District of Columbia	Legislative action deferral. Discounted rate.
Illinois	Legislative action deferral.
Kentucky	Legislative action deferral.
Michigan	Legislative action deferral. Discounted rate. High Unemployment delay.
North Dakota	Legislative action deferral.
Ohio	Legislative action deferral. Discounted rate.
Pennsylvania	Legislative action deferral. Discounted rate.
Wisconsin	Legislative action deferral. Discounted rate.
West Virginia	Average tax rate deferral. High Unemployment delay.

As of December 31, 1983, outstanding unemployment loans totaled $13.3 billion. Table 9 shows the loans made to each State. Interest-bearing loans in 17 States were $6.4 billion.

TABLE 9.—LOANS TO STATES FROM THE FEDERAL UNEMPLOYMENT ACCOUNT (FUA), AS OF DECEMBER 31, 1983

[In millions of dollars, calendar year]

	Date of first loan	Interest free loans	Interest bearing loans	Total title XII loans
Arkansas	January 1976	$53	$32	$86
Colorado	December 1982		113	113
Connecticut	March 1972	217	64	280
Delaware	November 1975	44		44
District of Columbia	November 1975	30	33	64
Illinois	December 1975	1,494	928	2,423
Iowa	July 1982		127	127
Kentucky	February 1981	96	55	151
Louisiana	October 1982		476	476
Michigan	April 1975	1,523	800	2,322
Minnesota	July 1975	169	183	352
Missouri	January 1982	90		89
Montana	April 1976		9	9
New Jersey	January 1975	422		422

TABLE 9.—LOANS TO STATES FROM THE FEDERAL UNEMPLOYMENT ACCOUNT (FUA), AS OF DECEMBER 31, 1983—Continued

[In millions of dollars, calendar year]

	Date of first loan	Interest free loans	Interest bearing loans	Total title XII loans
Ohio	March 1977	936	1,040	1,976
Pennsylvania	October 1975	1,467	1,151	2,617
Puerto Rico	April 1975	51		51
Rhode Island	February 1975	90		90
Texas	November 1982		696	696
Vermont	February 1974	25		25
Virgin Islands	February 1975	2	3	4
West Virginia	September 1980	97	194	291
Wisconsin	February 1982	127	500	626
Total		6,932	6,403	13,335

Source: U.S. Department of Labor, Unemployment Insurance Service, Division of State Program Management, Tax Administration Group.

Note.—Total does not include unpaid interest.

The State unemployment taxes

The States finance their programs with employer payroll taxes imposed on at least the first $7,000 paid annually to each employee.[1] States generally adopt a taxable wage base at least as high as the Federal level because they would otherwise lose the 2.7 percent credit on the difference between the Federal taxable wage base and State taxable wage base. Table 10 shows that as of January 1984, 32 States had taxable wage bases higher than the Federal taxable wage base, ranging up to $21,400 in Alaska and all wages in Puerto Rico.

Although the standard State tax rate is 2.7 percent, State tax rates based on unemployment experience can range from zero on some employers in eight States up to a maximum as high as 10.5 percent in South Dakota. Estimated national average State tax rates on taxable wages and total wages for 1983 were 2.8 and 1.1 percent, respectively. Estimated average State tax rates on taxable wages ranged 0.9 percent in Texas to 5.0 percent in Michigan. Estimated average State tax rates on total wages varied from 0.3 percent in Texas to 3.0 percent in Puerto Rico.

Since the beginning of 1983, 24 States increased their taxable wage bases and 2 States reduced their bases. The changes ranged from minus 10 percent in Utah to 36 percent in Wyoming. The Department of Labor provided estimated 1983 average State tax rates in May 1983 before some States amended their laws. Thirty-one States had increases in their estimated 1983 average tax rates on taxable wages and 14 States had decreases. The changes ranged from minus 38 percent in Kentucky to 150 percent in Oklahoma. Also, 32 States had increases in their estimated 1983 average tax rate on total wages and 10 States had decreases. The changes varied from minus 86 percent in Nebraska to 125 percent in Oklahoma.

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[1] Alabama, Alaska, and New Jersey also tax employees.

TABLE 10.—STATE UNEMPLOYMENT TAX BASES AND RATES

State	1984 tax base	1984 experience rates[1]		Estimated 1983 average tax rates as a percent of—		1983 Federal credit (percent)
		Minimum	Maximum	Taxable wages	All wages	
U.S. average..	(2)	NA	NA	2.8	1.1	NA
Alabama	$8,000	0.5	5.0	2.4	1.3	(5)
Alaska	21,400	1.0	6.5	2.9	1.9	(5)
Arizona	(2)	0.1	2.9	1.3	0.5	(5)
Arkansas	7,500	0	6.0	3.3	1.8	2.1
California	(2)	0.7	4.7	2.7	1.0	(5)
Colorado	8,000	0	4.5	1.6	0.7	(5)
Connecticut	7,100	0.1	6.0	2.5	0.9	2.0
Delaware	8,000	0.1	7.0	3.5	1.1	2.1
District of Columbia	8,000	0.1	4.5	2.7	1.0	1.6
Florida	(2)	0.1	4.5	1.2	0.5	(5)
Georgia	(2)	0.01	5.71	1.5	0.7	(5)
Hawaii	14,600	0	4.5	2.2	1.5	(5)
Idaho	14,400	0.1	6.8	2.3	1.6	(5)
Illinois	8,000	0.2	6.3	3.9	1.5	2.0
Indiana	(2)	0.02	4.5	2.7	1.2	(5)
Iowa	10,400	0	7.0	2.2	1.1	(5)
Kansas	(2)	.025	5.4	2.9	1.2	(5)
Kentucky	8,000	0.30	10.0	3.7	2.0	2.4
Louisiana	(2)	0.3	5.0	3.9	1.9	(5)
Maine	(2)	0.5	5.0	3.7	1.7	1.8
Maryland	(2)	0.1	6.0	1.9	0.6	(5)
Massachusetts	(2)	0.4	6.0	3.2	1.4	(5)
Michigan	8,500	0.3	6.9	5.0	2.0	2.1
Minnesota	9,800	0.1	7.5	2.4	1.1	2.1
Mississippi	(2)	0.1	4.0	1.8	1.0	(5)
Missouri	(2)	0	4.4	2.7	1.1	(5)
Montana	8,400	0.2	4.4	3.1	1.6	(5)
Nebraska	(2)	0.1	3.7	1.7	0.1	(5)
Nevada	10,700	0.3	4.7	2.3	1.3	(5)
New Hampshire	(2)	0.01	6.5	1.6	0.8	(5)

TABLE 10.—STATE UNEMPLOYMENT TAX BASES AND RATES—Continued

State	1984 tax base	1984 experience rates[1]		Estimated 1983 average tax rates as a percent of—		1983 Federal credit (percent)
		Minimum	Maximum	Taxable wages	All wages	
New Jersey	$9,600	0.4	6.2	3.0	1.3	2.1
New Mexico	9,800	0.1	5.1	1.7	0.9	(5)
New York	(2)	0.3	5.2	3.1	1.1	(5)
North Carolina	8,200	0.1	5.7	1.7	0.9	(5)
North Dakota	10,400	0.5	5.0	3.5	2.0	(5)
Ohio	8,000	0	4.3	3.6	1.3	2.1
Oklahoma	(2)	0.1	5.2	2.0	0.9	(5)
Oregon	13,000	0.9	4.0	3.1	1.9	(5)
Pennsylvania	8,000	0.3	8.5	3.8	1.4	2.0
Puerto Rico	All wages	(3)	(3)	3.0	3.0	2.1
Rhode Island	10,000	1.0	6.0	4.1	2.3	2.1
South Carolina	(2)	0.25	4.1	1.9	0.9	(5)
South Dakota	(2)	0.1	10.5	2.5	1.3	(5)
Tennessee	(2)	0.15	10.0	3.1	1.2	(5)
Texas	(2)	0.0	6.0	0.9	0.3	(5)
Utah	13,300	2.25	4.50	3.1	1.9	(5)
Vermont	8,000	0.2	5.5	3.1	1.7	2.1
Virginia	(2)	0.1	6.2	2.2	1.0	(5)
Virgin Islands	8,000	(3)	(3)	3.4	1.6	2.1
Washington	12,000	(4)	3.0	3.0	1.6	(5)
West Virginia	8,000	0	7.5	4.3	2.0	2.1
Wisconsin	9,500	0	6.4	3.1	1.4	(5)
Wyoming	9,525	0	2.7	3.8	1.5	(5)

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[1] Actual rates could be higher if State has an additional tax.

[2] The 1984 tax base is $7,000 except as otherwise shown in this column.

[3] Puerto Rico and the Virgin Islands are not experience rated. The rate in Puerto Rico 2.95% and the Virgin Islands 2.7% of wages paid.

[4] Not specified.

[5] All figures are 2.7 percent except as otherwise shown in this column. To the extent that this credit is lower than 2.7 percent, these additional taxes were due January 31, 1984.

Note.—This table shows the State unemployment tax levels. It does not include the Federal unemployment taxes.

Source: Department of Labor (based on estimates by State agencies).

Table 11 shows recent data on unemployment compensation covered employment, wages, taxable wages, the ratio of taxable to total wages, and average weekly wages. The downward trend in the national average ratio of taxable wages to total wages stopped in 1983 at 0.38. The ratio of taxable wages to total wages in the States varied from 0.28 in New York to 0.70 in Puerto Rico.

TABLE 11.—12-MONTH AVERAGE EMPLOYMENT AND WAGES COVERED BY UNEMPLOYMENT INSURANCE (UI) FOR PERIOD ENDING JUNE 1983

State	Average employment (thousands)	Total wages [1] (millions)	Taxable wages (millions)	Ratio of taxable wages to total wages	Average weekly wages for UI
United States....	85,680	$1,448,892	$503,603	0.35	$325
Alabama	1,206	17,809	7,039	.40	284
Alaska	186	5,330	2,521	.47	550
Arizona	997	16,101	5,623	.35	311
Arkansas	690	9,542	4,116	.43	266
California	9,791	180,528	56,640	.31	355
Colorado [2]	1,245	22,009	7,424	.34	340
Connecticut	1,396	25,370	8,302	.33	349
Delaware	253	4,526	1,417	.31	343
District of Columbia....	364	7,451	2,201	.30	393
Florida	3,715	55,748	21,260	.38	289
Georgia	2,085	32,083	11,824	.37	299
Hawaii	376	5,707	3,131	.55	292
Idaho	291	4,285	2,382	.56	283
Illinois	4,281	77,389	25,964	.34	348
Indiana	1,901	31,513	10,425	.33	319
Iowa	981	14,582	6,015	.41	286
Kansas [2]	859	13,325	4,341	.33	298
Kentucky	1,059	16,458	6,588	.40	299
Louisiana	1,499	25,706	8,385	.33	330
Maine	392	5,396	2,054	.38	265
Maryland	1,537	24,827	7,883	.32	311
Massachusetts	2,528	42,409	15,418	.36	323
Michigan [2]	2,969	57,235	17,809	.31	371
Minnesota [2]	1,595	26,664	9,902	.37	321
Mississippi	734	9,868	3,938	.40	258
Missouri	1,795	29,008	9,804	.34	311
Montana	249	3,672	2,174	.59	283
Nebraska	572	8,226	2,720	.33	277
Nevada	383	6,420	3,166	.49	322
New Hampshire	384	5,694	2,124	.37	285
New Jersey	2,954	53,776	20,319	.38	350
New Mexico	427	6,519	2,746	.42	293
New York	7,002	133,807	37,888	.28	368
North Carolina	2,268	32,009	12,561	.39	271
North Dakota	220	3,219	1,389	.43	281
Ohio	3,821	66,380	20,656	.31	334
Oklahoma	1,110	18,662	6,370	.34	323

TABLE 11.—12-MONTH AVERAGE EMPLOYMENT AND WAGES COVERED BY UNEMPLOYMENT INSURANCE (UI) FOR PERIOD ENDING JUNE 1983—Continued

State	Average employment (thousands)	Total wages [1] (millions)	Taxable wages (millions)	Ratio of taxable wages to total wages	Average weekly wages for UI
Oregon	898	$14,656	$6,980	.48	314
Pennsylvania	4,246	70,560	22,837	.32	320
Puerto Rico	640	6,164	4,297	.70	185
Rhode Island	375	5,568	2,414	.43	285
South Carolina	1,099	15,446	6,018	.39	270
South Dakota	207	2,614	952	.36	242
Tennessee	1,567	23,304	8,822	.38	286
Texas	5,903	104,242	36,336	.35	340
Utah	493	7,812	3,864	.50	305
Vermont	190	2,693	1,035	.38	271
Virginia	1,930	29,626	10,594	.36	295
Virgin Islands	35	482	180	.37	258
Washington	1,469	25,992	11,713	.47	340
West Virginia	546	9,052	3,278	.36	319
Wisconsin [2]	1,751	27,948	8,651	.31	307
Wyoming	193	3,452	1,087	.32	343

[1] Total wages exceed taxable wages because wages from reimbursable employers are included in the former and because wage base is limited.

[2] Data estimated for 1 quarter.

Source: U.S. Department of Labor, Employment and Training Administration, Unemployment Insurance Service.

ADMINISTRATION'S FISCAL YEAR 1985 FINANCIAL PROJECTIONS

Federal loans to insolvent State unemployment compensation programs

In its fiscal year 1985 budget, the administration projected total outstanding Federal loans to insolvent State UC programs at $12.3 and $11.1 billion at the ends of fiscal years 1984 and 1985, respectively. It also projected new loans in these years at $2.2 and $2.0 billion, respectively. Table 12 provides a breakdown of the projected new Federal loans and the loan balances in the States obtaining new loans for fiscal years 1984 and 1985. Illinois, Louisiana, Michigan, Pennsylvania, Texas, West Virginia, and Wisconsin account for 77 and 74 percent of the projected new loans in fiscal years 1984 and 1985, respectively.

TABLE 12.—PROJECTED NEW FEDERAL LOANS TO INSOLVENT STATE UNEMPLOYMENT COMPENSATION PROGRAMS IN FISCAL YEARS 1984 AND 1985

[Dollars in millions]

State	Projected loans fiscal years		Projected loan balance at end of fiscal years	
	1984	1985	1984	1985
Arkansas	0	0	30	6
Colorado	50	40	81	18
Connecticut	0	0	160	100
Delaware	0	0	36	27
District of Columbia	11	12	24	0
Idaho	8	10	0	0
Illinois	300	250	2,144	1,890
Iowa	70	60	199	232
Kentucky	50	40	106	46
Louisiana	180	160	562	691
Maine	0	0	4	4
Maryland	0	14	0	0
Michigan	200	150	1,952	1,600
Minnesota	90	70	312	231
Missouri	0	0	90	61
Montana	1	0	0	0
New Jersey	0	0	324	185
North Dakota	6	0	0	0
Ohio	60	160	1,649	1,302
Oklahoma	20	30	0	0
Pennsylvania	500	400	2,663	2,634
Puerto Rico	0	0	30	9
Rhode Island	0	0	79	69
South Carolina	0	0	0	14
South Dakota	25	30	0	0
Texas	300	300	908	1,123
Utah	6	0	0	0
Vermont	6	0	19	13
Virgin Islands	2	2	3	2
Washington	70	80	0	2
West Virginia	110	140	358	471
Wisconsin	120	70	521	329
Wyoming	16	17	9	20
Total [1]	2,200	2,000	12,300	11,000

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[1] Rounded to nearest $100 million.

Source: U.S. Department of Labor, Employment and Training Administration, Unemployment Insurance Service, Division of Actuarial Services. Based on administration's fiscal year 1984 budget.

Interest charges

Table 13 classifies the projected interest charges on Federal loans to insolvent State UC programs at the end of fiscal years 1984 and 1985. The total projected charges are $374 and $557 million in fiscal years 1984 and 1985, respectively. Illinois, Louisiana, Michigan, Ohio, Pennsylvania, and Texas account for 76 and 82 percent of the projected interest charges in fiscal years 1984 and 1985, respectively. The total projected interest charges were reduced, however, for certain States by $346 and $123 million in fiscal years 1984 and 1985, respectively. These States were projected to qualify for a deferral or discount of interest charges, which would reduce their amounts payable at the end of fiscal year 1984 by 62 percent.

Projected Federal unemployment tax credit reductions

Projected Federal unemployment tax credit reductions, or in other words increased Federal Unemployment Taxes in delinquent debtor States, totaled $914 and $1,355 million in fiscal years 1984 and 1985, respectively. Table 14 shows the State distributions of the projected additional Federal unemployment tax revenue and the credit rate reductions for fiscal years 1984 and 1985. The credit rate reductions range from 0.3 percentage points in many States for both years to 1.1 percentage points in one State for calendar year 1984.

TABLE 13.—PROJECTED INTEREST CHARGES ON FEDERAL LOANS TO INSOLVENT STATE UNEMPLOYMENT COMPENSATION PROGRAMS IN FISCAL YEARS 1984 AND 1985

Interest charges (in millions of dollars)	States	
	Fiscal year 1984	Fiscal year 1985
1–10	Arkansas	Colorado
	Connecticut	District of Columbia
	District of Columbia	Kentucky
	Kentucky	North Dakota
	Montana	South Dakota
	North Dakota	Virgin Islands
	South Carolina	Washington
	Virgin Islands	Wyoming
	West Virginia	
	Wyoming	
11–50	Colorado	Iowa
	Illinois	Michigan
	Iowa	Minnesota
	Louisiana	West Virginia
	Minnesota	Wisconsin
	Wisconsin	
	Louisiana	
	Michigan	
	Ohio	
	Pennsylvania	
	West Virginia	

TABLE 13.—PROJECTED INTEREST CHARGES ON FEDERAL LOANS TO INSOLVENT STATE UNEMPLOYMENT COMPENSATION PROGRAMS IN FISCAL YEARS 1984 AND 1985—Continued

Interest charges (in millions of dollars)	States	
	Fiscal year 1984	Fiscal year 1985
51–100	Texas	Louisiana
		Ohio
		Pennsylvania
		Texas
100–200		Illinois

Source: U.S. Department of Labor, Employment and Training Administration, Unemployment Insurance Service, Division of Actuarial Services. Based on administration's fiscal year 1984 budget.

Table 14 shows that employers in Connecticut, Illinois, Michigan, New Jersey, Ohio, and Pennsylvania are projected to pay 74 percent of the additional Federal unemployment taxes resulting from the projected credit reductions in fiscal year 1984.

TABLE 14.—PROJECTED FEDERAL UNEMPLOYMENT TAX CREDIT REDUCTIONS IN 1984 AND 1985

State	Credit rate reduction (percentage points) (Calendar years)		Additional Federal unemployment taxes (dollars in millions) (Fiscal years)	
	1984	1985	1984	1985
Arkansas	0.6	0.6	24	24
Colorado	0	.3	0	25
Connecticut	.7	.7	57	60
Delaware	.6	.6	8	9
District of Columbia	1.1	1.0	23	22
Illinois	.7	.8	175	201
Iowa	0	.3	0	16
Kentucky	.3	.6	17	35
Louisiana	0	.3	0	32
Michigan	.6	.7	92	104
Minnesota	.6	.9	54	83
Missouri	0	.3	0	29
New Jersey	.6	.8	101	139
Ohio	.6	.7	131	155
Pennsylvania	.7	.8	174	204
Puerto Rico	.6	.6	22	21
Rhode Island	.6	.6	10	10
Texas	0	.3	0	127
Vermont	.6	.6	6	6
Virgin Islands	.6	1.0	1	3

TABLE 14.—PROJECTED FEDERAL UNEMPLOYMENT TAX CREDIT REDUCTIONS IN 1984 AND 1985—Continued

State	Credit rate reduction (percentage points) (Calendar years)		Additional Federal unemployment taxes (dollars in millions) (Fiscal years)	
	1984	1985	1984	1985
West Virginia	.6	.7	19	22
Wisconsin	0	.3	0	28
Total			914	1,355

NA—Not Applicable.

Source: U.S. Department of Labor, Employment and Training Administration, Unemployment Insurance Service, Division of Actuarial Services. Based on administration's fiscal year 1984 budget.

ADMINISTRATIVE FINANCING AND ALLOCATION

State unemployment insurance administrative expenses are Federally financed. A portion of revenue from the Federal unemployment tax (FUTA) is designated for administration and to maintain a system of public employment offices.

FUTA revenue flows into three Federal accounts in the Unemployment Trust Fund: (1) the Employment Security Administration Account (ESSA), (2) the Extended Unemployment Compensation Account (EUCA), and (3) the Federal Unemployment Account (FUA). Authorized by title IX of the Social Security Act, ESSA finances administrative costs associated with Federal and State unemployment compensation and employment services.

Under current law, sixty percent of FUTA revenue is allocated to ESAA. Funds authorized for administration are limited to 95 percent of the estimated annual revenue that is expected to flow to ESAA from the Federal unemployment tax. The amount is estimated after transfer of FUTA receipts earmarked for the extended unemployment compensation account. Funds for administration may be augmented by three-eighths of the amount in ESAA at the beginning of the fiscal year, or $150 million, whichever is less, if the rate of insured unemployment is at least 15 percent higher than it was over a corresponding calendar quarter in the immediately preceding year.

Title III of the Social Security Act authorizes payment to each State, with an approved unemployment insurance law, such amounts as are deemed necessary for the proper and efficient administration of such law during the fiscal year. Allocations are based on (1) the population of the State, (2) an estimate of the number of persons covered by the State unemployment insurance law, (3) and estimate of the cost of proper and efficient administration of such law; and (4) such other factors as the Secretary of Labor finds relevant.

Subject to the limit of available resources, the allocation of State grants for administration is the summation of resources derived in three major areas, the Unemployment Insurance Service (UI), the

Employment Service (ES), and Administrative Staff and Technical Services (AS&T)/Nonpersonal Services (NPS). Each area has its own allocation methodology subject to general constraints set forth in the Social Security Act.

Each year, as part of the development of the President's Budget, the Department of Labor in conjunction with the Department of Treasury, estimates revenue expected from FUTA and the appropriate amount which will be available for administration (and the Federal share of extended benefits). The estimate of FUTA revenues is based on several factors: (1) a wage base of $7,000 per employee, (2) a tax rate of 0.8 percent (0.48 percentage points for administration and 0.32 percentage points for extended benefits), (3) the administration's projection of the level of unemployment and the growth in wages, and (4) the level of covered employment subject to FUTA. Additionally, a determination is made based on the administration's forecast for unemployment as to whether the rate will increase by at least 15 percent.

Each year the President's Budget sets forth an estimate of national unemployment in terms of the volume of unemployment claims per week. This is characterized as average weekly insured unemployment (AWIU). A portion of AWIU is expressed as "base" and the remainder as "contingency." At the present time, the base is set at the level of resources required to process an average weekly volume of 2.1 million weeks of unemployment.

Resources available to each State to administer its unemployment compensation program (i.e., process claims and pay benefits) are provided from either "base" funds or "contingency" funds. At the beginning of the fiscal year, only the base funds are allocated while contingency funds are allocated on a needs basis as workload materializes. Base funds are distributed to the State for use throughout the fiscal year and are available regardless of the level of unemployment (workload) realized. If a State processes workloads in excess of the base level they receive the contingency funds determined by the extent of the resources required to process the additional workload.

The allocation of the base UI grant funds to each State is determined by:

(1) Estimating, based on the known relative share of each State to the U.S. total, what portion of the estimated workload for a given fiscal year a State may be expected to process;

(2) Determining the resources required to process the anticipated workload. These resources are derived from work measurement studies conducted in each State which establish the number of minutes required to accomplish specific tasks. The results are quantified as minutes per unit (MPU) per program function; and

(3) Obtaining the number of work hours per staff year in each State.

The anticipated UI administrative grant amounts for each State are then forecast and summed. Resources are expressed in terms of staff years. The number of staff years required in each State is the product of the estimated workload and the required processing time (i.e., MPU's) divided by the hours worked. If the number of staff years derived from this calculation exceeds the number available for allocation, the allocation is adjusted by reducing workloads and/or MPU's. The final staff year allocations for each State are then multiplied by the cost per staff year (i.e., State salary level) for a given State to determine dollar funding levels. Each Department of Labor regional office may redistribute the resources available to the States in their area.

The resources available for AS&T/NPS are also determined during the development of the President's budget. The AS&T function provides funding for the administrative staff and technical services which are part of the State's agency-wide overhead and are considered to benefit all UI and ES grant programs. Nonpersonal services include: supplies, travel, communications, premises and equipment.

The AS&T/NPS allocation process is accomplished in four areas. The first area, administration and management, provides each State with a set minimum number of positions, with additional positions above the minimum determined by the number of employment service and unemployment insurance positions allocated. Second, funding for nonpersonal services is provided by setting a minimum amount for each State and allocating additional funds based on UI and ES positions and the population density in each State. Third, for office space, the prior year actual cost per grant staff year is determined, then inflated by the national percentage increase for NPS, and finally multiplied by the projected ES and UI positions. Fourth, funding for automatic data processing (ADP) is provided based on prior year actual cost, then inflated by the national percentage increase for NPS. Adjustments are made each fiscal year to reflect changes in the mode of operation of each State agency. There is also a component in the process which provides funding for ADP staff.

In any given year a hold harmless factor which assures that no State agency receives less than 95 percent of a prior year's level may be used. A last calculation is made to make pro rata adjustments to dollars actually available.

CHARACTERISTICS OF UNEMPLOYMENT COMPENSATION RECIPIENTS

Table 15 contains information from a 13 State sample about unemployment compensation claimants in the various programs: regular, regular benefit exhaustees, extended benefit recipient, and exhaustees, and Federal supplemental compensation recipient, and exhaustees. Median household income is the annual income of the recipient's household prior to collecting unemployment compensation.

TABLE 15.—CHARACTERISTICS OF UNEMPLOYMENT COMPENSATION BENEFICIARIES BY PROGRAM: JULY–AUGUST 1983

[Percentage distribution]

Program	RB IC	RB BEN	RB EXH	EB* BEN	EB* EXH	FSC BEN	FSC EXH
Sex:							
Male	57.6	58.2	62.1	69.9	72.2	63.7	63.0
Female	42.3	41.8	37.8	30.1	27.8	36.3	37.0
Race:							
White	77.0	80.2	75.8	82.8	81.6	78.9	76.3
Male	45.1	47.3	47.8	59.0	59.5	51.3	49.5
Female	31.9	32.9	28.0	23.9	22.1	27.5	26.8
Nonwhite	23.0	19.8	24.2	17.2	18.4	21.1	23.7
Male	12.6	11.0	14.2	10.9	12.8	12.5	13.7
Female	10.4	8.8	10.0	6.3	5.6	8.6	10.0
Age:							
Under 25	21.3	16.6	18.1	19.6	18.7	17.6	16.6
25–50	62.2	64.0	63.7	64.6	66.2	65.6	67.0
Over 50	16.5	19.4	18.3	15.8	15.1	16.7	16.4
Separation reason:							
Layoff	71.9	85.2	81.8	89.0	86.3	83.7	83.3
Fired	13.1	9.2	12.4	6.4	7.8	10.7	11.3
Quit	9.6	3.9	4.9	3.6	4.3	4.5	4.6
Other	5.4	1.7	.9	1.0	1.5	1.1	.8
Industry:							
Construction	7.6	10.2	12.8	11.7	9.5	9.8	8.3
Manufacturing	39.4	43.3	37.1	41.6	41.8	45.7	53.3
Durable	18.9	21.7	22.0	31.9	35.0	32.4	38.4
Nondurable	19.8	20.5	14.0	9.0	6.3	12.2	14.0
Trade	16.5	15.9	20.0	16.0	19.3	17.9	15.1
Services	18.3	15.8	16.2	12.6	15.0	14.3	13.1
Definite recall expected	24.3	24.2	7.6	9.9	7.4	6.9	5.1
Education:							
Less than high school	33.1	30.0	29.3	25.9	24.5	26.5	29.0
High school diploma	45.4	48.0	48.2	54.1	52.9	51.1	52.0
Beyond high shcool	21.5	22.0	22.5	20.1	22.7	22.4	19.0
Marital status:							
Married	57.2	59.4	57.5	61.5	57.8	55.5	57.2
Not married	42.8	40.6	42.5	38.5	42.2	44.5	42.8
Married with working spouse	37.8	37.4	36.3	38.1	37.2	36.3	41.4
Median household income (thousands)	$17.4	$18.3	$17.5	$19.9	$20.3	$17.9	$17.3

Note.—RB-Regular benefits; EB-Extended benefits; FSC-Federal supplemental benefits; IC-New initial claims; BEN-Beneficiaries; EXH-Exhaustees.

States included (M = ON EB) are Georgia, Idaho,* Louisiana,* Missouri, Nevada, New Mexico, New York, North Carolina, Pennsylvania,* South Carolina, Utah, Washington,* Wisconsin.

Source: Department of Labor.

RECENT MAJOR LEGISLATION

Other major Federal laws passed by recent sessions of Congress and some of their provisions are:

(1) The Employment Security Amendments of 1970 (Public Law 91–373) expanded FUTA coverage primarily to small businesses, nonprofit organizations, and higher educational institutions. It also raised the taxable wage base from the original $3,000 to $4,200 in 1972; increased the minimum, net Federal unemployent tax rate from 0.4 to 0.5 percent in 1970; and created the Federal-State extended benefits program.

(2) The Unemployment Compensation Amendments of 1976 (Public Law 94–566), extended FUTA coverage primarily to State-local government workers and certain agricultural and domestic labor. It also raised the taxable wage base to $6,000 in 1978 and temporarily increased the minimum, net Federal unemployment tax rate from 0.5 to 0.7 percent in 1977.

(3) The Omnibus Budget Reconciliation Act of 1980 (Public Law 96–499) added among other provisions a denial of extended benefits to claimants under certain circumstances who have rejected a minimum wage job.

(4) The Omnibus Budget Reconciliation Act of 1981 (Public Law 97–35) imposed interest charges up to 10 percent per annum under certain conditions on loans obtained by State UC programs after April 1, 1982. It also cut an estimated $3 to $4 billion from the Extended Benefits program in fiscal year 1983.

(5) The Tax Equity and Fiscal Responsibility Act of 1982 (Public Law 97–248) increased the taxable wage base from $6,000 to $7,000 and raised the minimum, net Federal unemployment tax rate to 0.8 percent in 1983. It also raised the gross tax and credit rates in 1985 to 6.2 and 5.4 percent, respectively. This leaves the minimum, net Federal rate unaffected, but raises the maximum, potential, net tax rate in States with delinquent loans from 3.4 to 6.2 percent. The Act also created the temporary Federal supplemental compensation program, which authorized 6 to 10 additional weeks of benefits through March 31, 1983.

(6) The Surface Transportation Assistance Act (Public Law 97–424), passed in the lame-duck session of Congress, added 2 to 6 weeks to the Federal Supplemental Compensation program for a combined maximum in that program of 8 to 16 weeks.

(7) The Social Security Amendments of 1983 (Public Law 98–21) extended the Federal supplemental compensation program through September 30, 1983, providing a maximum of 8 to 14 weeks of benefits. It also established conditions under which States could defer the payment of interest on loans from the Federal Unemployment Account and qualify for reduced FUTA credit reductions.

(8) The Federal Supplemental Compensation Amendments of 1983 (Public Law 98–135) extended the Federal Supplemental Compensation program through March 31, 1985, providing a maximum of 8 to 14 weeks of benefits.

TABLE 16.—LEGISLATIVE CHANGES IN THE UNEMPLOYMENT COMPENSATION PROGRAM IN CALENDAR YEARS 1981, 1982, AND 1983

[In millions of dollars]

	Fiscal years					
	1982	1983	1984	1985	1986	1987
1981 (January 1982 estimates):						
Elimination of national trigger under the extended benefits program	−827	−1,273	−1,418			
Raise State triggers to 5 percent plus 120 percent or 6 percent	−0	−1,152	−448			
Claims for extended or additional compensation not included in determining rate of insured unemployment for extended benefit trigger calculation	−1,286	−1,283	−1,225			
Require 20 weeks of work or equivalent wages for extended benefits	0	−4	−3			
Limitations on unemployment benefits paid to ex-service members	−325	−376	−347			
Federal unemployment compensation loans to States	−5	−157	−350			
1982 (January 1983 estimates):						
Rounding UC benefits		−0	−22	−21	−20	−19
Extend Reed Act		0	0	0	0	0
Deferral of interest payment on UC loans		50	400	150	−250	−250
Treatment of school employees		−7	−8	−9	−10	−11
Short time compensation		1	1	0	0	0
Unemployment benefits paid to ex-service members		132	111	117	109	101
Taxation of unemployment compensation benefits		−763	−734	−611	−618	−650
Federal supplemental benefits		2,570				
1983 (January 1984 estimates):						
Federal supplemental benefits			3,500	1,200		
Deferral of interest		37	85	−137	−474	−465

Source: Congressional Budget Office.

APPENDIX F. STATISTICAL DATA ON UNEMPLOYMENT AND HISTORICAL INFORMATION ON THE UNEMPLOYMENT COMPENSATION PROGRAM

The following tables and charts provide statistical data on unemployment and historical information on the unemployment compensation program.

TABLE 1.—MONTHLY DATA FOR FOUR ECONOMIC INDICATORS SINCE 1970

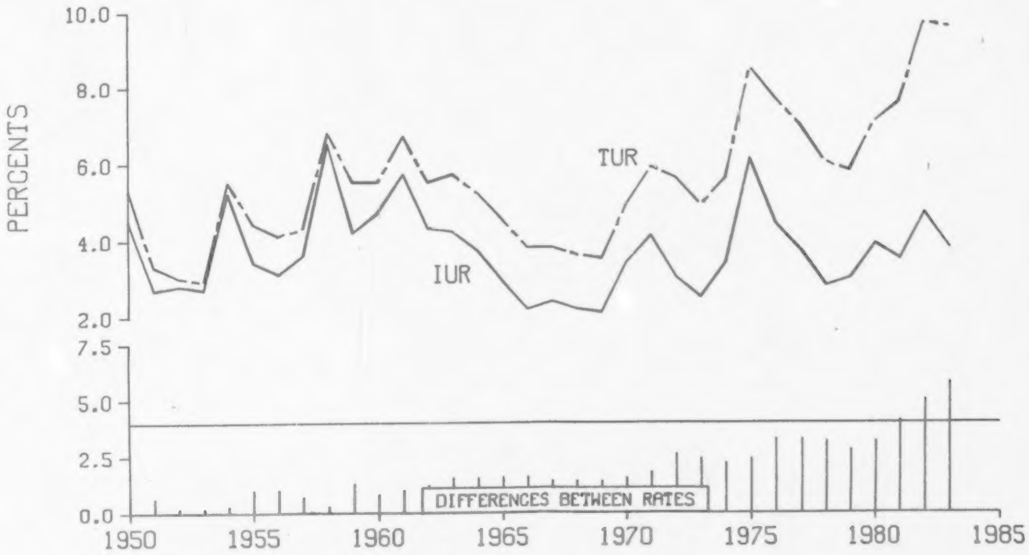
Year	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Avg.
Unemployment Rate—Total (Seasonally adjusted)													
1970	3.9	4.2	4.4	4.6	4.7	4.9	5.0	5.1	5.4	5.6	5.9	6.1	4.9
1971	5.9	5.9	5.9	5.9	5.9	5.9	6.0	6.1	6.0	5.9	6.0	6.0	5.9
1972	5.8	5.7	5.8	5.7	5.6	5.6	5.6	5.6	5.6	5.7	5.2	5.1	5.6
1973	4.9	5.0	4.9	5.0	4.9	4.8	4.8	4.8	4.8	4.6	4.8	4.9	4.9
1974	5.1	5.1	5.0	5.0	5.1	5.3	5.5	5.4	5.9	5.9	6.6	7.1	5.6
1975	8.0	8.1	8.5	8.8	9.0	8.8	8.7	8.4	8.4	8.4	8.2	8.2	8.5
1976	7.9	7.7	7.6	7.6	7.3	7.6	7.7	7.8	7.6	7.7	7.8	7.8	7.7
1977	7.5	7.6	7.4	7.2	7.0	7.2	6.9	6.9	6.8	6.8	6.7	6.3	7.0
1978	6.4	6.2	6.2	6.1	6.0	5.8	6.1	5.8	5.9	5.7	5.8	6.0	6.0
1979	5.8	5.9	5.8	5.8	5.6	5.6	5.6	5.9	5.8	5.9	5.9	6.0	5.8
1980	6.2	6.2	6.3	6.9	7.6	7.5	7.6	7.6	7.4	7.6	7.5	7.4	7.1
1981	7.4	7.3	7.3	7.6	7.3	7.0	7.2	7.5	8.0	8.4	8.4	8.8	7.6
1982	8.6	8.9	9.0	9.4	9.4	9.5	9.9	9.9	10.2	10.4	10.7	10.7	9.7
1983	10.4	10.4	10.3	10.2	10.1	10.0	9.5	9.5	9.2	8.8	8.4	8.2	9.6

Insured Unemployment Rate Under State Programs (Seasonally Adjusted)

1970	2.5	2.7	2.8	3.2	3.5	3.6	3.6	3.7	4.0	4.4	4.4	4.0	3.4
1971	3.9	3.9	4.1	4.1	4.1	4.2	4.0	4.2	4.1	4.1	4.0	4.0	4.1
1972	3.6	3.7	3.7	3.6	3.6	3.6	3.7	3.3	3.2	3.1	3.1	3.0	3.5
1973	2.9	2.8	2.8	2.7	2.7	2.7	2.6	2.7	2.7	2.7	2.7	2.9	2.7
1974	3.1	3.2	3.2	3.1	3.2	3.2	3.3	3.4	3.6	3.9	4.4	5.1	3.5
1975	5.4	5.8	6.2	6.5	6.7	6.5	6.3	6.1	6.1	5.8	5.4	4.8	6.0
1976	4.5	4.3	4.2	4.2	4.3	4.5	4.7	4.8	5.0	5.0	4.8	4.4	4.6
1977	4.2	4.2	3.8	3.7	3.7	3.8	3.9	4.1	3.7	4.0	3.9	3.7	3.9
1978	3.6	3.6	3.5	3.1	3.1	3.1	3.4	3.6	3.3	3.1	3.1	3.1	3.3
1979	3.1	3.1	3.0	3.0	2.8	2.9	2.9	3.0	3.0	3.0	3.1	3.2	2.9
1980	3.2	3.1	3.4	3.7	4.3	4.7	4.5	4.4	4.4	4.1	3.8	3.5	3.9
1981	3.4	3.2	3.3	3.4	3.4	3.4	3.2	3.4	3.5	3.7	4.0	4.1	3.5
1982	4.0	4.0	4.3	4.6	4.6	4.7	4.5	4.7	5.0	5.3	5.3	5.0	4.7
1983	4.5	4.5	4.5	4.4	4.1	3.8	3.6	3.5	3.4	3.3	3.3	[1] 3.2	3.8

[1] Preliminary.

FIGURE 1.—Comparison of Total Unemployment Rate (TUR) and Insured Unemployment Rate (IUR)
1950–1983



SOURCES: DOL / BLS AND
DOL / ETA / UIS / DAS

JANUARY 10, 1984

TABLE 2.—STATE INSURED UNEMPLOYMENT RATES FOR CALENDAR YEARS 1980–82 AND RATES BY CALENDAR QUARTER FOR 1983 UNDER THE UNEMPLOYMENT COMPENSATION PROGRAM

[Percent]

	1980	1981	1982	1983			
				I	II	III	IV
Alabama	4.4	4.0	4.6	6.3	4.5	4.0	3.5
Alaska	7.7	7.0	6.7	9.3	7.0	4.6	5.7
Arizona	2.5	2.4	3.1	4.2	3.4	2.9	2.2
Arkansas	4.8	4.2	4.6	7.0	4.6	3.5	3.5
California	3.9	3.8	4.7	5.9	5.0	4.1	3.8
Colorado	2.0	2.1	3.1	4.3	3.4	2.5	2.5
Connecticut	2.7	2.6	2.9	4.2	2.9	2.5	1.9
Delaware	3.4	3.5	2.6	3.9	2.7	2.2	1.8
District of Columbia	2.7	2.6	3.2	4.0	3.3	3.2	2.5
Florida	2.0	1.8	2.1	2.6	2.1	2.1	1.6
Georgia	2.5	2.5	2.5	3.6	2.5	2.1	1.8
Hawaii	2.8	3.1	3.4	3.4	3.6	3.5	3.1
Idaho	5.0	5.0	5.6	8.3	5.3	4.5	4.1
Illinois	4.4	4.3	4.8	6.6	5.3	4.0	3.5
Indiana	4.2	3.2	3.7	5.7	3.8	2.7	2.5
Iowa	3.2	2.9	3.7	5.8	3.8	2.7	2.4
Kansas	2.6	2.4	3.1	4.4	3.0	2.5	2.3
Kentucky	5.4	4.5	4.9	7.3	5.2	3.9	3.3
Louisiana	2.9	2.7	5.2	6.2	5.8	4.9	4.2
Maine	4.4	4.2	4.6	6.1	4.7	3.6	3.5
Maryland	3.1	3.2	3.5	5.0	3.7	2.9	2.5
Massachusetts	3.3	3.4	3.2	4.7	3.2	2.7	2.3
Michigan	8.1	5.9	4.7	7.5	4.8	3.4	3.2
Minnesota	3.1	2.8	3.2	5.1	3.2	2.1	2.2
Mississippi	4.0	3.9	5.0	7.1	5.3	4.3	3.4
Missouri	4.3	3.7	3.6	5.2	3.6	2.8	2.6
Montana	4.4	4.1	4.8	6.7	4.7	3.9	3.8
Nebraska	1.9	1.9	2.7	4.2	2.7	1.8	1.9
Nevada	3.1	3.5	4.0	5.6	4.0	3.2	3.1
New Hampshire	2.2	2.2	2.2	3.9	2.4	1.8	1.3
New Jersey	4.7	4.3	3.9	5.3	3.9	3.3	2.9
New Mexico	2.8	2.7	4.0	5.0	4.3	3.6	3.2
New York	3.7	3.4	3.5	4.5	3.6	3.1	2.9
North Carolina	2.9	3.0	3.1	5.1	3.1	2.2	1.9
North Dakota	2.9	2.7	3.5	5.8	3.7	2.3	2.2
Ohio	4.9	4.1	4.2	6.4	4.4	3.2	2.9
Oklahoma	1.7	1.4	3.0	4.1	3.4	2.4	2.0

TABLE 2.—STATE INSURED UNEMPLOYMENT RATES FOR CALENDAR YEARS 1980–82 AND RATES BY CALENDAR QUARTER FOR 1983 UNDER THE UNEMPLOYMENT COMPENSATION PROGRAM—Continued

[Percent]

	1980	1981	1982	1983			
				I	II	III	IV
Oregon	5.4	5.7	5.5	7.6	5.6	4.4	4.5
Pennsylvania	5.2	4.4	5.9	8.1	6.2	5.0	4.5
Puerto Rico	7.5	8.2	7.2	8.0	7.2	7.2	6.7
Rhode Island	5.4	5.0	4.7	6.6	4.5	4.4	3.2
South Carolina	3.4	3.7	3.6	5.5	3.6	2.8	2.5
South Dakota	2.0	2.3	1.8	3.1	1.8	1.1	1.0
Tennessee	4.2	3.8	3.6	5.3	3.8	2.8	2.5
Texas	1.5	1.1	2.4	3.6	2.6	2.2	1.9
Utah	3.1	3.1	4.0	6.2	4.4	3.0	2.6
Vermont	4.3	3.9	4.3	6.3	4.8	3.0	3.0
Virgin Islands	2.0	1.9	1.8	3.0	1.8	1.2	1.1
Virginia	3.2	3.6	4.6	5.5	5.2	4.4	3.7
Washington	4.6	4.9	5.7	7.3	5.7	4.9	4.7
West Virginia	5.6	5.7	7.5	10.5	8.1	6.4	5.3
Wisconsin	5.2	4.7	4.8	7.7	4.7	3.2	3.5
Wyoming	1.4	1.8	4.4	6.3	5.4	3.1	2.8
U.S. average	3.9	3.5	4.7	5.4	4.0	3.2	3.3

TABLE 3.—SELECTED UNEMPLOYMENT RATES

[Monthly data seasonally adjusted]

Period	Unemployment rate (percent of civilian labor force in group)											Labor force time lost (percent)[1]
		By sex and age			By race		By selected groups					
	Total (all civilian workers)	Men 20 years and over	Women 20 years and over	Both sexes 16–19 years	White	Black and other	Experienced wage and salary workers	Married men, spouse present	Women who maintain families	Full-time workers	Part-time workers	
1976	7.7	5.9	7.4	19.0	7.0	13.1	7.3	4.2	10.1	7.3	10.1	8.3
1977	7.1	5.2	7.0	17.8	6.2	13.1	6.6	3.6	9.4	6.6	9.9	7.6
1978	6.1	4.3	6.0	16.4	5.2	11.9	5.6	2.8	8.5	5.6	9.0	6.5
1979	5.8	4.2	5.7	16.1	5.1	11.3	5.5	2.8	8.3	5.3	8.8	6.3
1980	7.1	5.9	6.4	17.8	6.3	13.1	6.9	4.2	9.2	6.9	8.8	7.9
1981	7.6	6.3	6.8	19.6	6.7	14.2	7.3	4.3	10.4	7.3	9.4	8.5
1982	9.7	8.8	8.3	23.2	8.6	17.3	9.3	6.5	11.7	9.6	10.5	NA
1983	9.6	8.9	8.1	22.4	8.4	17.8	9.2	6.5	12.2	NA	NA	NA

[1] Aggregate hours lost by the unemployed and persons on part time for economic reasons as percent of potentially available labor force hours.

NA: Not available.

Source: Department of Labor, Bureau of Labor Statistics.

TABLE 4.—SELECTED MEASURES OF UNEMPLOYMENT

[Monthly data seasonally adjusted, except as noted]

Period	Unemployment (thousands)	Percent distribution of unemployment by duration [1]				Percent distribution of unemployment by reason [1]			
		Less than 5 weeks	5–14 weeks	15–26 weeks	27 weeks and over	Job losers	Job leavers	Reentrants	New entrants
1977	6,991	41.8	30.5	13.1	14.7	45.3	13.0	28.1	13.6
1978	6,202	46.2	31.0	12.4	10.4	41.7	14.1	29.9	14.3
1979	6,137	48.1	31.7	11.5	8.7	42.9	14.3	29.4	13.3
1980	7,637	43.1	32.3	13.8	10.7	51.7	11.7	25.2	11.4
1981	8,273	41.7	30.7	13.6	14.0	51.6	11.2	25.4	11.9
1982	10,678	36.4	31.0	16.0	16.6	58.7	7.9	22.3	11.1
1983	10,717	33.3	27.4	15.4	23.9	58.4	7.7	22.5	11.3

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[1] Detail may not add to 100 percent of rounding.

TABLE 5.—BENEFIT EXHAUSTIONS, REGULAR PROGRAM

[In thousands]

	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982	1983
January	152	147	229	333	261	211	184	215	309	258	421
February	127	129	230	295	251	184	160	201	375	267	394
March	143	146	270	326	290	201	193	220	291	341	470
April	138	167	369	305	265	192	185	259	289	361	431
May	141	178	406	274	242	193	195	251	246	338	398
June	119	159	438	282	254	176	162	246	244	378	383
July	119	190	487	264	215	151	169	298	247	360	336
August	124	174	413	254	234	158	166	256	215	365	340
September	100	145	370	239	198	138	140	254	207	351	264
October	111	155	350	212	183	133	161	292	200	347	248
November	110	152	291	231	192	144	159	259	201	384	
December	111	186	336	251	192	149	163	319	265	424	
Year total	1,495	1,928	4,189	3,266	2,777	2,030	2,037	3,070	3,089	4,174	[1] 3,685

[1] Data for 10 months only.

Source: U.S. Department of Labor, Employment and Training Administration, Unemployment Insurance Service, Division of Actuarial Services.

TABLE 6.—BENEFIT EXHAUSTIONS, EXTENDED BENEFIT PROGRAM

[In thousands]

	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982	1983
January	NA	10	52	366	177	126	11	24	169	9	91
February	NA	9	50	215	166	67	10	15	128	14	95
March	NA	10	100	244	187	50	13	18	134	38	128
April	NA	13	162	253	177	46	15	30	117	114	153
May	NA	62	207	190	159	49	31	74	15	134	156
June	NA	65	228	197	170	49	19	66	90	193	120
July	NA	55	245	175	141	50	13	67	48	128	44
August	NA	41	245	178	92	38	12	64	21	121	23
September	NA	38	271	180	94	23	11	139	23	126	11
October	NA	47	294	174	137	31	14	183	15	126	4
November	NA	46	258	187	136	12	12	147	14	93	....
December	NA	47	286	178	137	10	11	189	11	94	....
Year total		443	2,398	2,537	1,773	551	172	1,016	785	1,190	[1] 825

[1] Data for 10 months only.

NA: Not available.

Source: U.S. Department of Labor, Employment and Training Administration, Unemployment Insurance Service, Division of Actuarial Service.

TABLE 7.—BENEFIT EXHAUSTIONS UNDER FEDERAL SUPPLEMENTAL BENEFITS (1974–77) AND FEDERAL SUPPLEMENTAL COMPENSATION

[In thousands]

	1973	Federal supplemental benefits				1978–81 [1]	Federal supplemental compensation	
		1974	1975	1976	1977		1982	1983
January			49	108	185			228
February			63	130	105			424
March			112	136	73			319
April			97	169	33			69
May		1	96	181	33			114
June		6	80	164	7			737
July		49	91	169				355
August		35	93	174				294
September		48	92	145				302
October		119	81	157			18	195
November		58	103	116			354	
December		58	103	116			318	
Total		374	1,060	1,765	436		680	[2] 3,037

[1] There was no program in these years.

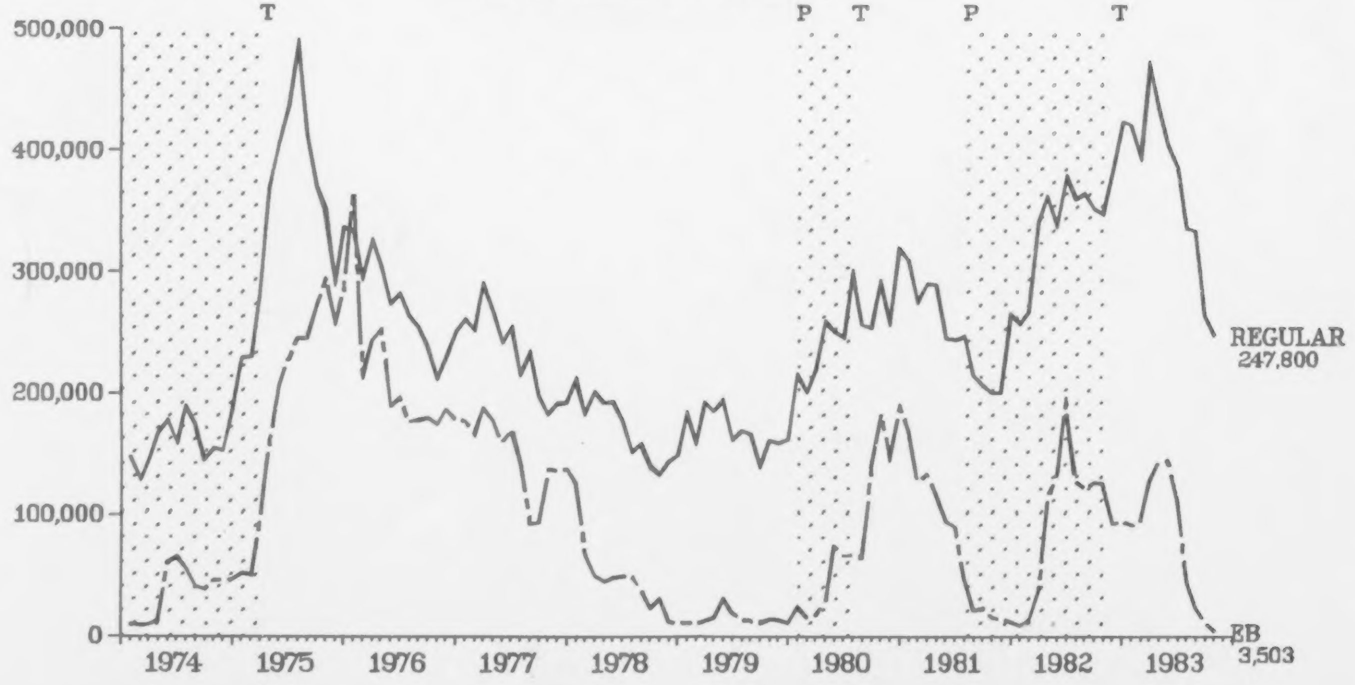
[2] Based on 10 months only.

Source: U.S. Department of Labor, Employment and Training Administration, Unemployment Insurance Service, Division of Actuarial Services.

FIGURE 2.

EXHAUSTEES BY PROGRAM

(Program data not additive.)



INDICATED AREAS REFLECT RECESSION PERIODS.

LAST DATAPOINT IS FOR OCTOBER, 1983.

SOURCE: USDOL / ETA / UIS
Division of Actuarial Services

FIGURE 3.—UI Benefits Paid and Taxes Collected as a Percentage of Covered Wages

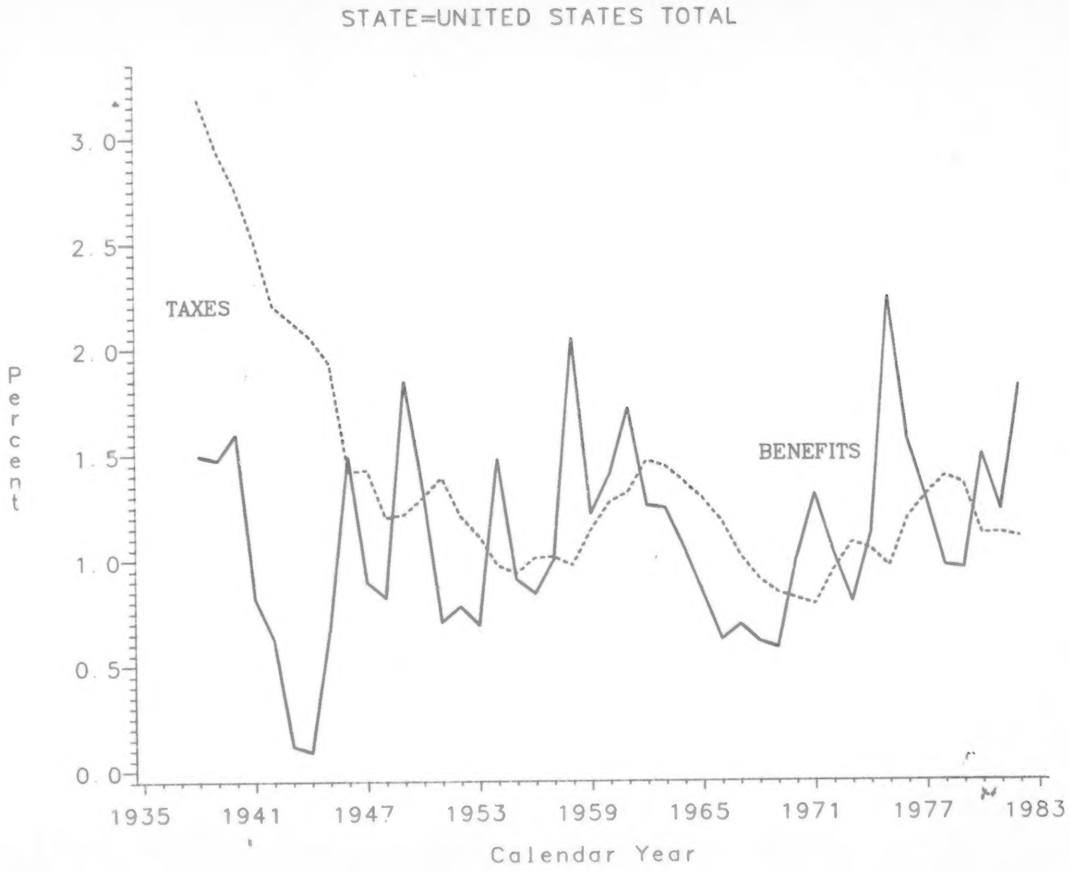
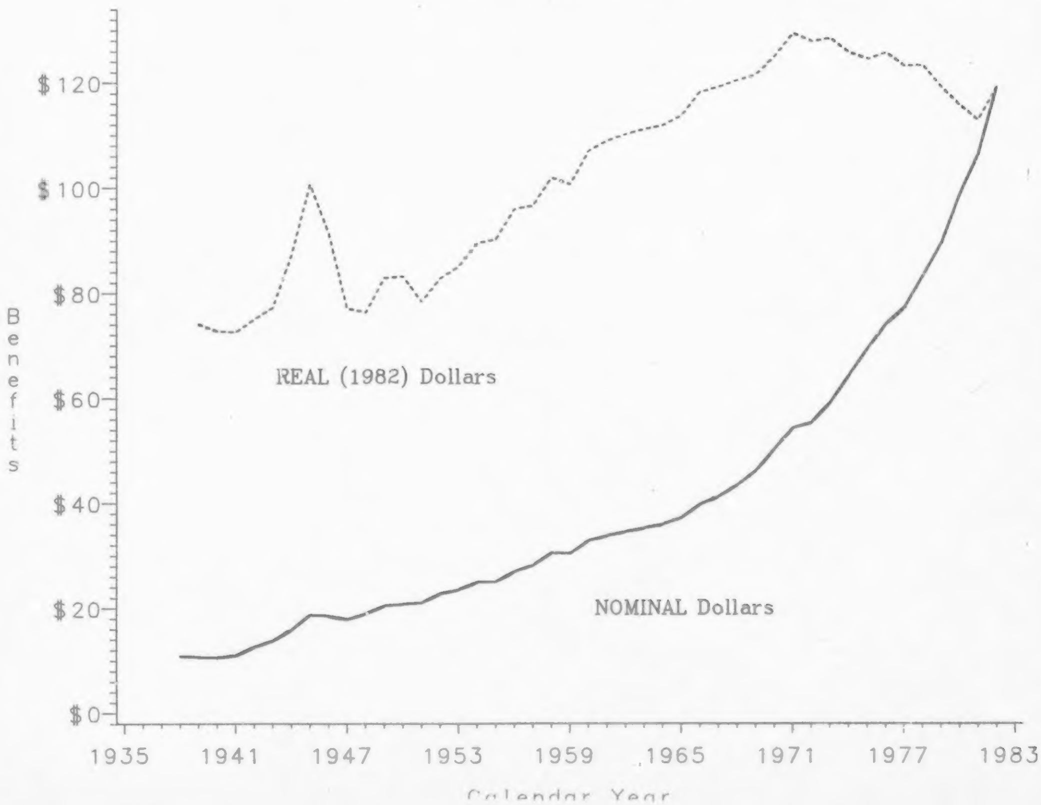


FIGURE 4.—UI Average Weekly Benefit Amount, Nominal and Real (1982) Dollars



STATE=UNITED STATES TOTAL

FIGURE 5.—Average UI Duration in Weeks

STATE=UNITED STATES TOTAL

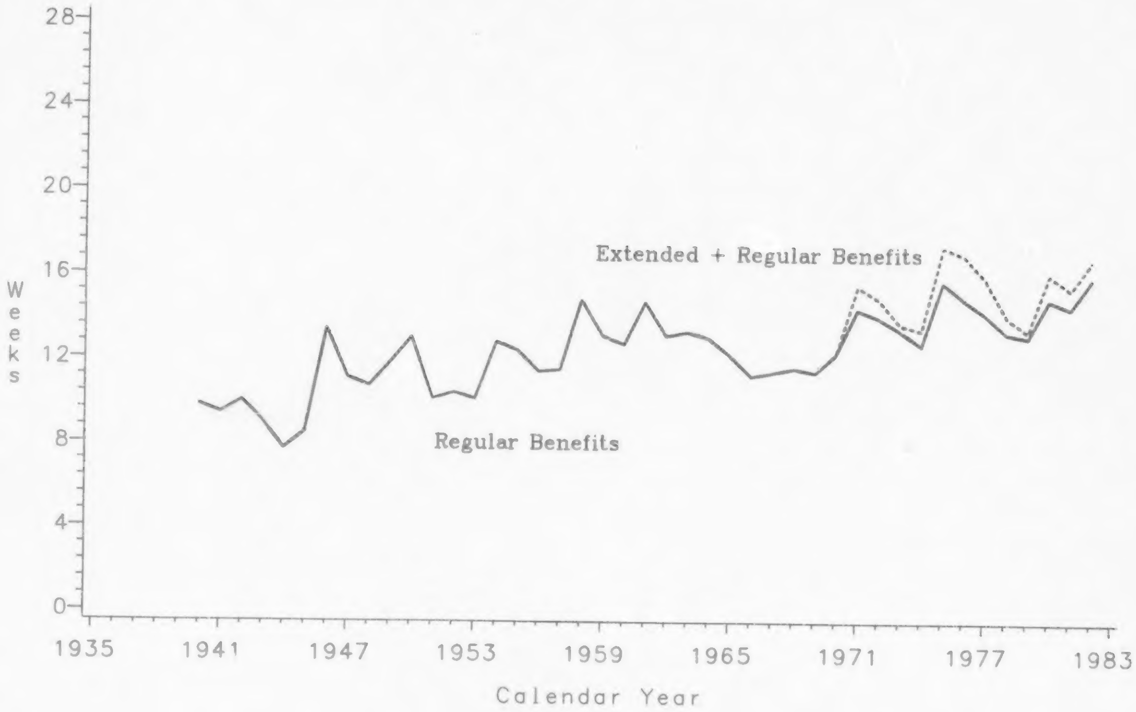


FIGURE 6.—UI Taxable Wage Base, Nominal and Real (1982) Dollars

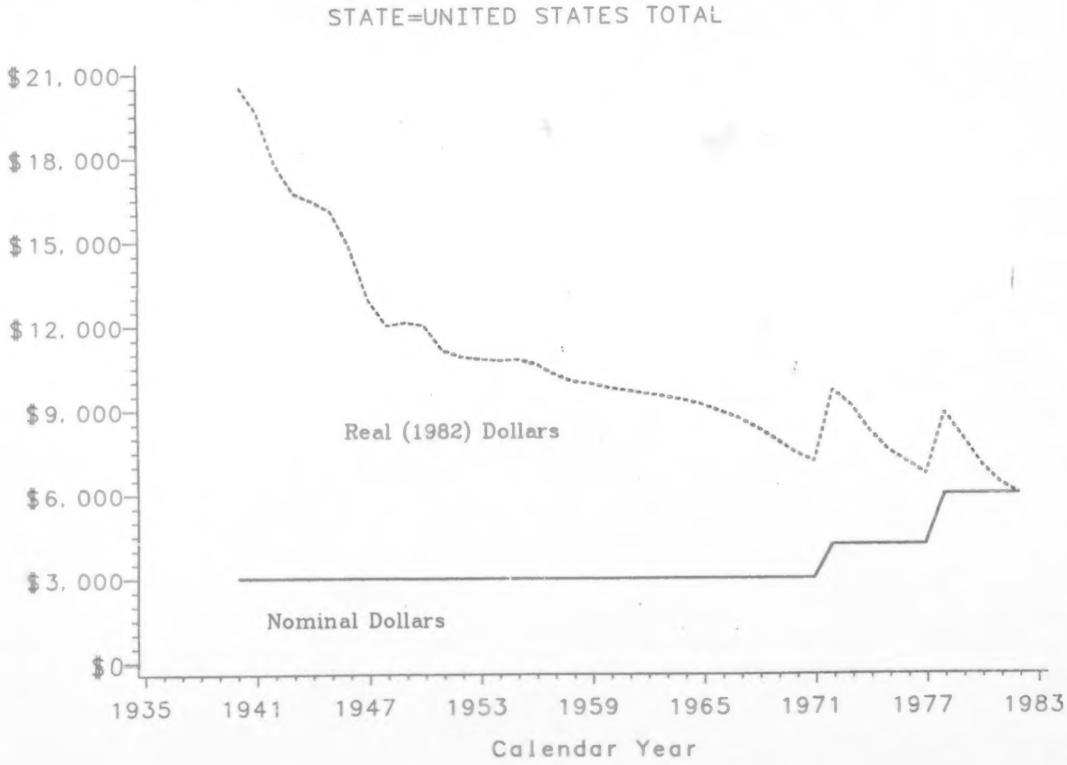


FIGURE 7.—Average UI Employer Tax Rate as a Percentage of Taxable and Total Covered Wages

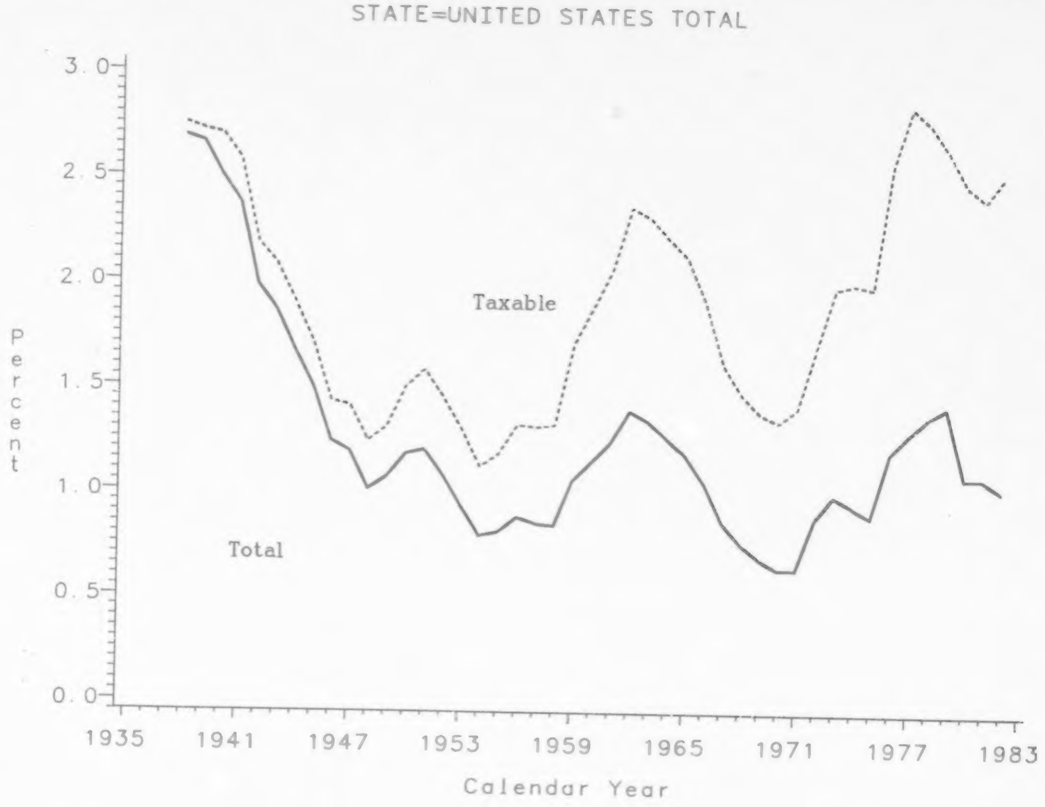


TABLE 8.--WEEKS COMPENSATED AND RATES OF UNEMPLOYMENT, EXHAUSTION, AND COMPENSATION BY STATE IN 1982

State	Unemployment rates for week of Sept. 17, 1983 (percent)			Regular program exhaustion Rate (percent)	Pecent of weeks claimed that were compensated	Weeks compensated (thousands)
	Total	Insured	Difference			
Alabama	12.2	3.5	8.7	36	88	2,759
Alaska	7.6	3.8	3.8	48	85	637
Arizona	7.9	2.5	5.4	43	106	1,533
Arkansas	9.1	3.0	6.1	33	81	1,460
California	8.3	3.8	4.5	43	78	23,982
Colorado	5.9	2.3	3.6	49	90	1,676
Connecticut	4.9	2.2	2.7	21	77	2,176
Delaware	7.2	1.8	5.4	23	93	370
District of Columbia	11.1	2.8	8.3	51	96	640
Florida	8.1	2.0	6.1	40	94	3,573
Georgia	7.0	1.9	5.1	35	79	2,899
Hawaii	6.2	3.2	3.0	31	93	573
Idaho	7.3	3.5	3.8	50	82	750
Illinois	9.8	3.5	6.3	53	79	10,907
Indiana	8.9	2.3	6.6	43	88	2,001
Iowa	5.9	2.1	3.8	42	86	3,786
Kansas	4.7	2.3	2.4	48	93	1,508
Kentucky	10.0	3.3	6.7	37	92	2,881
Louisiana	11.6	4.4	7.2	56	93	4,324
Maine	7.1	2.8	4.3	65	97	735
Maryland	5.8	2.6	3.2	35	77	2,480
Massachusetts	7.0	2.2	4.8	32	78	4,292
Michigan	12.3	2.8	9.5	42	90	8,160
Minnesota	6.5	1.7	4.8	46	88	2,780
Mississippi	11.3	3.4	7.9	38	91	1,736
Missouri	8.2	2.7	5.5	38	78	2,952
Montana	6.6	3.1	3.5	46	78	543
Nebraska	4.5	1.6	2.9	41	83	737
Nevada	8.4	3.0	5.4	41	86	869
New Hampshire	3.6	1.4	2.2	10	96	463
New Jersey	7.7	2.8	4.9	46	91	6,205
New Mexico	9.4	3.3	6.1	46	95	763
New York	8.3	2.8	5.5	43	81	12,269
North Carolina	7.4	1.8	5.6	24	90	3,691
North Dakota	3.7	1.7	2.0	45	85	434
Ohio	11.1	2.7	8.4	43	95	8,920
Oklahoma	7.5	2.0	5.5	56	86	1,827
Oregon	8.6	3.8	4.8	37	88	2,455

TABLE 8.—WEEKS COMPENSATED AND RATES OF UNEMPLOYMENT, EXHAUSTION, AND COMPENSATION BY STATE IN 1982—Continued

State	Unemployment rates for week of Sept. 17, 1983 (percent)			Regular program exhaustion Rate (percent)	Pecent of weeks claimed that were compensated	Weeks compensated (thousands)
	Total	Insured	Difference			
Pennsylvania	10.0	4.4	5.6	37	85	13,856
Puerto Rico	NA	7.0	NA	36	91	1,011
Rhode Island	6.7	3.2	3.5	34	89	902
South Carolina	8.6	2.4	6.2	29	82	2,074
South Dakota	4.2	0.7	3.5	20	72	160
Tennessee	9.3	2.4	6.9	31	91	3,325
Texas	8.6	1.9	6.7	48	92	7,657
Utah	7.5	2.6	4.9	45	78	929
Vermont	5.0	2.3	2.7	24	88	415
Virginia	5.1	1.1	4.0	28	92	1,897
Virgin Islands	NA	4.1	NA	46	86	
Washington	9.5	4.4	5.1	38	90	4,118
West Virginia	15.1	5.3	9.8	42	87	2,263
Wisconsin	8.2	2.7	5.5	33	102	4,315
Wyoming	6.9	2.7	4.2	48	38	551

Source: U.S. Department of Labor; Employment and Training Administration Unemployment Insurance, Division of Actuarial Services.

TABLE 9.—UNEMPLOYMENT COMPENSATION BENEFITS PAID BY PROGRAM IN FISCAL YEAR 1983

[In millions of dollars]

State	Programs			Total
	Regular	Extended	Supplemental	
Alabama	217	41	142	402
Alaska	84	7	9	101
Arizona	156	4	48	208
Arkansas	134	12	27	174
California	2,450	302	369	3,122
Colorado	246	0	36	283
Connecticut	267	0	46	314
Delaware	33	(1)	5	39
District of Columbia	92	0	22	114
Florida	358	(1)	88	446
Georgia	274	0	54	328
Hawaii	68	0	12	81
Idaho	83	15	19	118
Illinois	1,666	346	439	2,452
Indiana	351	48	114	514
Iowa	254	30	80	365
Kansas	194	6	50	251
Kentucky	305	34	107	446
Louisiana	662	108	93	865
Maine	73	5	17	97
Maryland	292	(1)	82	375
Massachusetts	508	(1)	97	605
Michigan	1,253	254	551	2,059
Minnesota	381	39	110	531
Mississippi	149	25	33	207
Missouri	280	(1)	58	338
Montana	65	8	15	89
Nebraska	68	0	6	74
Nevada	103	9	22	135
New Hampshire	44	0	2	46
New Jersey	743	0	241	984
New Mexico	83	3	20	107
New York	1,193	(1)	283	1,477
North Carolina	376	35	82	495
North Dakota	58	4	7	70
Ohio	1,269	278	552	2,101
Oklahoma	254	0	79	334

TABLE 9.—UNEMPLOYMENT COMPENSATION BENEFITS PAID BY PROGRAM IN FISCAL YEAR 1983—Continued

[In millions of dollars]

State	Programs			Total
	Regular	Extended	Supplemental	
Oregon	292	43	87	422
Pennsylvania	1,980	298	478	2,757
Puerto Rico	65	27	34	127
Rhode Island	97	9	30	137
South Carolina	190	20	40	251
South Dakota	19	0	2	21
Tennessee	289	([1])	110	399
Texas	953	0	196	1,150
Utah	120	17	29	166
Vermont	43	3	9	56
Virginia	203	([1])	39	242
Virgin Islands	8	([1])	1	9
Washington	538	81	166	787
West Virginia	310	64	69	443
Wisconsin	594	90	161	847
Wyoming	77	8	5	92

[1] Figure was less than $500,000.

Source: U.S. Department of Labor, Employment and Training Administration, Unemployment Insurance, Division of Acutuarial Service.

TABLE 10.—WEEKS COMPENSATED, BENEFITS PAID, AND NUMBER OF FIRST PAYMENTS UNDER THE REGULAR PROGRAM: U.S. TOTAL 1971–83, BY QUARTER

Year and quarter	Weeks compensated (millions)	Benefits (billions)	First payments (millions)
1971:			
1	30.188	$1.564	2.208
2	23.791	1.236	1.296
3	20.990	1.079	1.488
4	20.456	1.087	1.362
1972:			
1	27.570	1.530	2.024
2	20.464	1.134	1.166
3	17.450	.963	1.372
4	15.911	.892	1.151
1973:			
1	22.943	1.329	1.792
2	17.276	.990	1.075

TABLE 10.—WEEKS COMPENSATED, BENEFITS PAID, AND NUMBER OF FIRST PAYMENTS UNDER THE REGULAR PROGRAM: U.S. TOTAL 1971–83, BY QUARTER—Continued

Year and quarter	Weeks compensated (millions)	Benefits (billions)	First payments (millions)
3	15.351	.861	1.256
4	15.654	.906	1.207
1974:			
1	27.896	1.718	2.455
2	23.112	1.423	1.304
3	20.645	1.275	1.622
4	25.976	1.673	2.348
1975:			
1	53.673	3.583	4.663
2	50.600	3.431	2.445
3	38.431	2.708	2.113
4	32.601	2.331	1.929
1976:			
1	40.537	2.986	2.908
2	30.867	2.267	1.692
3	28.095	2.033	1.924
4	27.926	2.076	2.037
1977:			
1	38.186	2.965	3.041
2	27.465	2.088	1.530
3	24.310	1.829	1.733
4	23.283	1.828	1.681
1978:			
1	34.093	2.829	2.711
2	23.833	1.928	1.485
3	22.043	1.753	1.759
4	20.981	1.716	1.614
1979:			
1	32.875	2.869	2.691
2	24.596	2.117	1.555
3	23.714	2.102	1.933
4	24.928	2.252	1.897
1980:			
1	39.152	3.740	2.962
2	37.432	3.649	2.463
3	38.795	3.797	2.582
4	33.573	3.327	1.985
1981:			
1	40.606	4.139	2.890
2	31.557	3.251	1.758
3	29.706	3.078	2.142
4	34.068	3.667	2.604
1982:			
1	49.666	5.609	3.671
2	44.840	5.166	2.416
3	44.148	5.154	2.729

TABLE 10.—WEEKS COMPENSATED, BENEFITS PAID, AND NUMBER OF FIRST PAYMENTS UNDER THE REGULAR PROGRAM: U.S. TOTAL 1971–83, BY QUARTER—Continued

Year and quarter	Weeks compensated (millions)	Benefits (billions)	First payments (millions)
4	46.734	5.597	2.833
1983:			
1	54.739	6.639	3.417
2	40.937	4.956	1.910
3	31.921	3.776	1.807

Source: Prepared by the Department of Labor, Employment and Training Administration, Unemployment Insurance Service, Division of Actuarial Services.

TABLE 11.—WEEKS COMPENSATED, BENEFITS PAID, AND NUMBER OF FIRST PAYMENTS UNDER THE EXTENDED BENEFITS AND FEDERAL SUPPLEMENTAL COMPENSATION PROGRAMS: U.S. TOTAL 1971–83, BY QUARTER

Year and quarter	Weeks compensated (millions)	Benefits (billions)	First payments (millions)
Extended Benefits:			
1974:			
1	0.672	$0.054	0.103
2	2.634	.177	.300
3	2.114	.149	.219
4	2.137	.163	.204
1975:			
1	4.573	.321	.615
2	9.763	.658	1.045
3	11.803	.794	1.213
4	11.066	.768	.985
1976:			
1	9.634	.668	.937
2	8.480	.581	.839
3	7.701	.547	.728
4	7.168	.518	.682
1977:			
1	7.490	.541	.859
2	6.747	.493	.684
3	4.878	.360	.532
4	5.515	.413	.528
1978:			
1	3.658	.283	.398
2	2.728	.219	.312
3	1.872	.148	.169
4	.734	.060	.062
1979:			
1	.607	.049	.079
2	.920	.081	.071

TABLE 11.—WEEKS COMPENSATED, BENEFITS PAID, AND NUMBER OF FIRST PAYMENTS UNDER THE EXTENDED BENEFITS AND FEDERAL SUPPLEMENTAL COMPENSATION PROGRAMS: U.S. TOTAL 1971–83, BY QUARTER—Continued

Year and quarter	Weeks compensated (millions)	Benefits (billions)	First payments (millions)
3	.530	.046	.048
4	.840	.073	.093
1980:			
1	1.126	.102	.166
2	2.812	.276	.293
3	5.860	.564	.743
4	8.142	.791	.791
1981:			
1	6.400	.643	.624
2	4.026	.432	.392
3	1.469	.159	.135
4	.658	.070	.057
1982:			
1	2.247	.244	.406
2	6.814	.780	.702
3	6.077	0.731	0.599
4	4.824	0.626	0.487
1983:			
1	5.863	.743	.690
2	6.123	.787	.586
3	1.033	.136	.114
Federal supplemental compensation:			
1982:			
1	0	0	0
2	0	0	0
3	.542	.061	.367
4	10.089	1.137	1.249
1983:			
1	10.670	1.213	.873
2	14.399	1.617	.988
3	9.665	1.108	.994

Source: Prepared by Dept. of Labor—Employment and Training Administration—Unemployment Insurance Service, Division of Actuarial Services.

Section 8. Aid to Families With Dependent Children (Title IV-A)

ELIGIBILITY

Aid to dependent children (ADC) was established by the Social Security Act of 1935 as a cash grant program to enable States to aid needy children without fathers. Renamed aid to families with dependent children (AFDC), the program provides cash welfare payments for needy children (and their mothers or other caretaker relatives), who have been deprived of parental support or care because:

—their fathers are absent from home continuously (86.9 percent of the children),[1] are incapacitated (5.3 percent), deceased (2.2 percent), or unemployed (4.1 percent); or

—their mothers are incapacitated, absent or dead (1.5 percent). (Percentages are from the 1979 AFDC study.)

States define "need," set their own benefit levels, establish (within Federal limitations) income and resource limits, and administer the program or supervise its administration. All States, the District of Columbia, Guam, Puerto Rico, and the Virgin Islands offer AFDC to needy children without able-bodied fathers at home, and 25 jurisdictions offer Federal cash supplements also to children in two-parent families who are needy because of the unemployment of one of their parents (aid to families with dependent children of unemployed parents (AFDC-UP)). Eligibility for AFDC on the basis of a parent's unemployment is limited to those families in which the principal wage earner is unemployed.

Eligibility for federally aided AFDC ends on a child's 18th birthday, or at State option upon a child's 19th birthday if the child is a full-time student in a secondary or technical school and may reasonably be expected to complete the program before he or she reaches age 19. Before passage of the Omnibus Budget Reconciliation Act of 1981, Public Law 97-35, a State could continue benefits through age 20 for students.

Federal law requires certain able-bodied recipients, including mothers whose youngest child is at least 6 years old, to register for work or job training. States may require work registrants to participate in one of several work programs: work incentive (WIN) program; community work experience program (CWEP), work supplementation, or job search. CWEP participants receive no wages, but "work off" their welfare grants. This program often is referred to as "workfare." A State may require participation in CWEP by a mother whose youngest child is age 3, provided child care is available.

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[1] In May 1982 according to the HHS quality control case sample, 87.6 percent of fathers of AFDC children were absent and 46.5 percent were not married to the children's mother.

Federal law also requires AFDC mothers to assign their child support rights to the State and to cooperate with welfare officials in establishing the paternity of a child born outside of marriage and in obtaining support payments from the father.

AFDC also provides cash aid for foster care of AFDC-eligible children removed from their homes by judicial order and, under certain conditions, for those *voluntarily placed* in foster care.

FINANCING

The Federal Government pays at least 50 percent of each State's benefit payments and more than 70 percent in eight States. Federal matching for AFDC varies from State to State, depending, within limits, on per capita income. Under matching formulas in the law, about 55 percent of each AFDC benefit dollar is paid by the Federal Government and 45 percent is paid by the States, some of which require local governments to share costs. The Federal share varies among States, ranging from 50 percent to 77.63 percent, and it is inversely related to State per capita income. The Federal Government pays 50 percent of administrative costs in all States.

The Federal share of a State's AFDC payments is determined by the matching formula specified for medicaid in title XIX of the Social Security Act. (States may choose an alternate formula, specified for AFDC only in title IV of the act, but in early fiscal year 1984 none did so. Unlike the medicaid formula, this "regular" AFDC formula places a ceiling on average benefits eligible for Federal funds.)

The medicaid cost-sharing formula used to determine the State and Federal shares of AFDC benefit payments is as follows: [1]

State share = State per capita income squared/national per capita income squared × 45 percent

Federal share = 100 percent—State share (with a minimum of 50 percent and a maximum of 83 percent)

For the outlying areas, Guam, Puerto Rico, and the Virgin Islands, 75 percent Federal matching is provided for AFDC benefits, but the law imposes a ceiling on Federal funds.

The Federal share of benefits is shown in table 1.

TABLE 1.—FEDERAL SHARE OF THE AFDC PROGRAM,[1] FISCAL YEARS 1978 THROUGH 1985

[In percent]

State	1978–79 [2]	1980–81 [3]	1982–83 [4]	1984–85 [5]
Alabama	72.58	71.32	71.13	72.14
Alaska	50.00	50.00	50.00	50.00
Arizona (37.9 in fiscal year 1980)			59.87	61.21
Arkansas	72.06	72.87	72.16	73.65
California	50.00	50.00	50.00	50.00
Colorado	53.71	53.16	52.28	50.00
Connecticut	50.00	50.00	50.00	50.00
Delaware	50.00	50.00	50.00	50.00
District of Columbia	50.00	50.00	50.00	50.00
Florida	56.55	58.94	57.92	58.41
Georgia	65.82	66.76	66.28	67.43
Guam (Federal funds limited)	[6] 50.00	[7] 75.00	75.00	75.00
Hawaii	50.00	50.00	50.00	50.00
Idaho	63.58	65.70	65.43	67.28
Illinois	50.00	50.00	50.00	50.00
Indiana	57.86	57.28	56.73	59.93
Iowa	51.96	56.57	55.35	55.24
Kansas	52.35	53.52	52.50	50.67
Kentucky	69.71	68.07	67.95	70.72
Louisiana	70.45	68.82	66.85	64.65
Maine	69.74	69.53	70.63	70.63
Maryland	50.00	50.00	50.00	50.00
Massachusetts	51.62	51.75	53.56	50.13
Michigan	50.00	50.00	50.00	50.70
Minnesota	55.26	55.64	54.39	52.67
Mississippi	78.09	77.55	77.36	77.63
Missouri	60.66	60.36	60.38	61.40
Montana	61.10	64.28	65.34	64.41
Nebraska	53.46	57.62	58.12	57.13
Nevada	50.00	50.00	50.00	50.00
New Hampshire	62.85	61.11	59.41	59.45
New Jersey	50.00	50.00	50.00	50.00
New Mexico	71.84	69.03	67.19	69.39
New York	50.00	50.00	50.88	50.00
North Carolina	67.81	67.64	67.81	69.54
North Dakota	50.71	61.44	62.11	61.32
Ohio	55.46	55.10	55.10	55.44
Oklahoma	65.42	63.64	59.91	58.47
Oregon	57.29	55.66	52.81	57.12
Pennsylvania	55.11	55.14	56.78	56.04

TABLE 1.—FEDERAL SHARE OF THE AFDC PROGRAM,[1] FISCAL YEARS 1978 THROUGH 1985—Continued

[In percent]

State	1978–79[2]	1980–81[3]	1982–83[4]	1984–85[5]
Puerto Rico (Federal funds limited)	[6] 50.00	[7] 75.00	75.00	75.00
Rhode Island	57.00	57.81	57.77	58.17
South Carolina	71.93	70.97	70.77	73.51
South Dakota	63.80	68.78	68.19	68.31
Tennessee	68.88	69.43	68.53	70.66
Texas (67.2 in fiscal year 1980)				54.37
Utah	68.98	68.07	68.64	70.84
Vermont	68.02	68.40	68.59	69.37
Virgin Islands (Federal funds limited)	[6] 50.00	[7] 75.00	75.00	75.00
Virginia	57.01	56.54	56.74	56.53
Washington	51.64	50.00	50.00	50.00
West Virginia	70.16	67.35	67.95	70.57
Wisconsin	58.53	57.95	58.02	56.87
Wyoming	53.44	50.00	50.00	50.00

[1] The Federal share of the AFDC program is calculated by the same formula used to determine the Federal share of medicaid costs except in States that elect an alternate formula or have no medicaid program. Texas chose the alternate formula until July 1, 1983. Arizona used the alternate formula until the first quarter of fiscal year 1983, when it was deemed qualified to use the medicaid formula for the first time. The Federal medicaid matching rates are 60.81 and 61.47 for Arizona for fiscal years 1978–79 and 1980–81. For Texas they are 60.66, 58.35, and 55.75, for fiscal years 1978–79, 1980–81, and 1982–83, respectively.

[2] Effective Oct. 1, 1977, through Sept. 30, 1979.

[3] Effective Oct. 1, 1979, through Sept. 30, 1981.

[4] Effective Oct. 1, 1981, through Sept. 30, 1983.

[5] Effective Oct. 1, 1983, through Sept. 30, 1985.

[6] Public Law 95–600 changed the Federal share for fiscal year 1979 from 50 to 75 percent.

[7] Public Law 96–272 made permanent the 75-percent matching rate for AFDC effective Oct. 1, 1979. For medicaid the matching rate remains 50 percent.

Source: Department of Health and Human Services.

Prepared by: Subcommittee on Public Assistance and Unemployment Compensation.

FEDERAL AND STATE EXPENDITURES

In fiscal year 1983 AFDC benefits totaled $13.4 billion. Of total fiscal year 1983 benefits, $7.3 billion or 54 percent was paid by the Federal Government. Table 2 presents State and Federal expenditures for selected years.

At the start of fiscal year 1982, 10 States required their localities to pay some portion of benefit costs. These States were:

California, Colorado, Indiana, Minnesota, Montana, New Jersey, New York, North Carolina, North Dakota, and Ohio.

Table 2 presents historical data on the amount of total Federal and State AFDC benefit payments to single-parent families (including two-parent families where one adult is incapacitated), unemployed parent families, foster care children, and under the emergency assistance program. Benefit payments under current law are projected to be $13.7 billion in fiscal year 1984 and $14.1 billion by fiscal year 1986.

Table 3 presents Federal and State expenditures for AFDC in selected years. Administrative costs have risen much faster than total benefits since 1971. Administrative costs equaled 8.9 percent of 1971 benefits and 13.9 percent of 1983 benefits.

Table 4 gives State-by-State fiscal year 1983 data on average monthly caseloads, benefit payments, State-local administrative costs, and administrative costs per family. Administrative costs ranged from $174 per family in Wisconsin to $868 in Oklahoma and $1,430 in Alaska.

TABLE 2.—AFDC BENEFIT PAYMENTS UNDER THE SINGLE PARENT, UNEMPLOYED PARENT, FOSTER CARE AND EMERGENCY ASSISTANCE PROGRAMS: FISCAL YEARS 1970 TO 1986

[In millions of dollars]

Fiscal year	Single parent [1]	Unemployed parent	Foster care	Emergency assistance	Total [2]
1970	3,851	231	NA	14	NA
1971	5,405	413	70	22	5,910
1972	6,394	422	160	43	7,019
1973	6,874	388	129	38	7,429
1974	7,205	319	166	44	7,734
1975	8,153	359	259	70	8,841
1976	9,350	526	326	66	10,268
1977	9,420	617	351	70	10,458
1978	10,188	565	403	76	11,232
1979	10,387	522	392	81	11,382
1980	11,540	693	416	109	12,758
1981	11,867	1,075	...	127	13,069
1982	11,701	1,256	...	95	13,052
1983	11,858	1,470	...	110	13,483
1984	NA	NA	...	110	13,656
1985	NA	NA	...	112	13,796
1986	NA	NA	...	115	14,096

[1] Includes payments to two-parent families where one adult is incapacitated.

[2] Foster care payments included prior to 1981. Emergency assistance payments are included in the total projections.

NA—Not available.

Source: Data provided by the Office of Family Assistance and Office of Family Resources, Social Security Administration (January 1984).

TABLE 3.—TOTAL, FEDERAL, AND STATE EXPENDITURES: FISCAL YEARS 1970 TO 1986

[In millions of dollars]

Fiscal year	Federal share		State share		Total	
	Benefits	Administrative	Benefits	Administrative	Benefits	Administrative
1970	2,187	NA	1,895	309	4,082	NA
1971	3,008	270	2,880	254	5,888	524
1972	3,612	265	3,364	249	6,976	514
1973	3,865	313	3,526	297	7,391	610
1974	4,071	379	3,619	361	7,690	740
1975	4,625	552	4,146	529	8,771	1,081
1976	5,258	542	4,944	527	10,202	1,069
1977	5,480	594	4,908	583	10,388	1,177
1978	5,701	630	5,455	618	11,156	1,248
1979	5,825	683	5,476	668	11,301	1,351
1980	6,448	750	6,201	729	12,649	1,479
1981	6,928	835	6,014	813	12,942	1,648
1982	6,922	882	6,035	878	12,957	1,760
1983	7,253	945	6,185	918	13,438	1,863
1984	7,367	873	6,289	836	13,656	1,710
1985	7,443	914	6,353	877	13,796	1,791
1986	7,640	949	6,491	916	14,096	1,865

Note.—Benefits do not include emergency assistance payments. Foster care payments are included from 1971 to 1980. Data for 1984 to 1986 are projections under current law. Beginning in fiscal year 1984, the costs of certifying AFDC households for food stamps are shown in the food stamp appropriation, U.S. Department of Agriculture.

NA—not available.

Source: Data provided by the Office of Family Assistance and Office of Financial Resources, Social Security Administration (January 1984).

TABLE 4.—AVERAGE MONTHLY NUMBER OF AFDC FAMILIES, TOTAL BENEFIT PAYMENTS, TOTAL ADMINISTRATIVE COSTS, AND ADMINISTRATIVE COST PER AFDC FAMILY BY STATE, FISCAL YEAR 1983

[Preliminary data]

State	Average monthly number of AFDC families (thousands)	Total benefit payments[1] (thousands)	Total administrative costs (thousands)	Administrative cost per AFDC family
Alabama	55.0	$73,168	$16,868	$307
Alaska	4.6	30,039	6,578	1,430
Arizona	24.2	62,513	10,329	427
Arkansas	22.5	34,460	8,065	358
California	538.9	2,986,330	332,571	617
Colorado	29.2	99,017	11,551	396

TABLE 4.—AVERAGE MONTHLY NUMBER OF AFDC FAMILIES, TOTAL BENEFIT PAYMENTS, TOTAL ADMINISTRATIVE COSTS, AND ADMINISTRATIVE COST PER AFDC FAMILY BY STATE, FISCAL YEAR 1983—Continued

[Preliminary data]

State	Average monthly number of AFDC families (thousands)	Total benefit payments[1] (thousands)	Total administrative costs (thousands)	Administrative cost per AFDC family
Connecticut	43.9	$212,480	$11,719	267
Delaware	9.6	27,236	3,983	415
District of Columbia	23.8	80,073	19,565	822
Florida	103.3	$239,576	$40,150	$389
Georgia	89.2	188,577	33,438	375
Hawaii	17.7	86,414	8,527	482
Idaho	7.0	21,434	5,750	821
Illinois	237.1	824,339	88,506	373
Indiana	57.1	145,694	24,493	429
Iowa	37.2	144,761	13,837	372
Kansas	24.8	91,050	9,021	364
Kentucky	57.5	126,737	18,588	323
Louisiana	65.9	133,196	30,899	469
Maine	17.0	63,377	5,645	332
Maryland	70.4	224,514	23,750	337
Massachusetts	91.0	413,075	36,009	396
Michigan	240.1	1,132,177	114,581	477
Minnesota	47.7	257,723	23,598	495
Mississippi	51.8	56,595	10,263	198
Missouri	64.8	187,202	27,423	423
Montana	6.5	23,714	3,633	559
Nebraska	14.2	54,328	6,530	460
Nevada	4.7	10,868	3,635	773
New Hampshire	7.0	23,689	2,943	420
New Jersey	132.6	497,916	75,833	572
New Mexico	17.6	43,261	10,407	591
New York	360.2	1,716,373	280,038	777
North Carolina	69.6	152,964	25,746	370
North Dakota	4.0	14,891	2,118	530
Ohio	211.4	652,861	63,765	302
Oklahoma	25.0	77,065	21,708	868
Oregon	27.6	100,065	18,414	667
Pennsylvania	194.1	733,780	116,416	600
Rhode Island	15.9	67,559	6,568	413

TABLE 4.—AVERAGE MONTHLY NUMBER OF AFDC FAMILIES, TOTAL BENEFIT PAYMENTS, TOTAL ADMINISTRATIVE COSTS, AND ADMINISTRATIVE COST PER AFDC FAMILY BY STATE, FISCAL YEAR 1983—Continued

[Preliminary data]

State	Average monthly number of AFDC families (thousands)	Total benefit payments [1] (thousands)	Total administrative costs (thousands)	Administrative cost per AFDC family
South Carolina	49.5	$75,846	$9,725	196
South Dakota	6.0	17,573	2,937	490
Tennessee	58.4	81,190	17,633	302
Texas	102.3	$156,266	$46,606	$456
Utah	12.9	53,916	3,863	299
Vermont	7.3	36,479	3,789	519
Virginia,	60.4	168,523	25,120	416
Washington	54.5	261,579	35,034	643
West Virginia	28.4	56,607	5,922	209
Wisconsin	87.8	475,114	15,270	174
Wyoming	3.0	11,181	1,454	485
Guam	1.5	4,224	695	463
Puerto Rico	54.8	63,976	21,548	393
Virgin Islands	1.3	2,995	309	238
U.S. total	3,649.9	13,576,561	1,763,367	483

[1] Excludes foster care payments.

Source: Office of Family Assistance, Social Security Administration.

BENEFIT LEVELS

Each State establishes a "need standard" (the income the State decides is essential for basic consumption items) and a "payment standard" (100 percent or less of the need level). Benefits are computed by subtracting countable income from the State's payment standard.

Maximum AFDC payments vary sharply from State to State, as shown by Tables 5 and 6. State payments for AFDC families of three with no countable income in January 1984 ranged from $96 in Mississippi to $696 in Alaska. Table 5 presents maximum monthly potential AFDC and food stamp benefits for a one-parent family of three persons, as of January 1984.

The food stamp benefits are calculated by deducting from the family's AFDC benefit (the only cash income of the family) the maximum deductions allowed under food stamps for a nonaged, nondisabled family: a total of $214. This consists of a standard deduction of $89, given in all households, plus a deduction of $125 for excess shelter costs and/or dependent care costs.

If the family qualified only for the standard deduction, its food stamp benefits would be cut in most States by about $38. Table 5 shows combined maximum potential benefits of $515 to a New Jersey AFDC family of 3, including $155 in food stamps. The same family would receive only $477 in combined benefits, including $117 in food stamps, if it were credited only with the standard deduction. Food stamp program data show that most AFDC families do qualify for a deduction of some shelter costs.

During 1983, 22 States and two outlying areas increased AFDC benefits; five States reduced benefits. The maximum benefit of the median State (for a 3-person family) rose by $11, to $321. This was a gain of 3.5 percent. During 1982, 23 States and one jurisdiction increased benefits while three States and one jurisdiction lowered benefits.

TABLE 5.—MAXIMUM MONTHLY POTENTIAL BENEFITS, AFDC AND FOOD STAMPS—ONE-PARENT FAMILY [1] OF THREE PERSONS, JANUARY 1984

State	Maximum AFDC grant [2]	Food stamp benefit [3]	Combined benefits	Combined benefits as percent of estimated 1983 poverty threshold [4]
Alabama	$118	$199	$317	48
Alaska	696	196	892	108
Arizona	233	193	426	64
Arkansas	164	199	363	55
California	526	105	631	95
Colorado	336	162	498	75
Connecticut	529	104	633	96
Delaware	287	177	464	70
District of Columbia	299	173	472	71
Florida	231	193	424	64
Georgia	202	199	401	61
Hawaii	468	234	702	92
Idaho	305	171	476	72
Illinois	302	172	474	72
Indiana	258	185	443	67
Iowa	360	155	515	78
Kansas	364	154	518	78
Kentucky	188	199	387	58
Louisiana	190	199	389	59
Maine	341	160	501	76
Maryland	[6] 295	182	477	72
Massachusetts	379	149	528	80
Michigan:				
(Washtenaw County)	[5] 445	129	574	87
(Wayne County)	[5] 418	137	555	84

TABLE 5.—MAXIMUM MONTHLY POTENTIAL BENEFITS, AFDC AND FOOD STAMPS—ONE-PARENT FAMILY [1] OF THREE PERSONS, JANUARY 1984—Continued

State	Maximum AFDC grant [2]	Food stamp benefit [3]	Combined benefits	Combined benefits as percent of estimated 1983 poverty threshold [4]
Minnesota	500	113	613	93
Mississippi	96	199	295	45
Missouri	261	184	445	67
Montana	332	163	495	75
Nebraska	350	158	508	77
Nevada	228	194	422	64
New Hampshire	341	160	501	76
New Jersey	360	155	515	78
New Mexico	258	185	443	67
New York:				
(Suffolk County)	[6] 579	98	677	102
(New York City)	[6] 474	130	604	91
North Carolina	202	199	401	61
North Dakota	357	156	513	78
Ohio	276	180	456	69
Oklahoma	282	178	460	70
Oregon	[6] 368	188	556	84
Pennsylvania	350	158	508	77
Rhode Island	[6] 462	157	619	94
South Carolina	142	199	341	52
South Dakota	321	166	487	74
Tennessee	127	199	326	49
Texas	148	199	347	52
Utah	362	154	516	78
Vermont	530	104	634	96
Virginia	310	170	480	73
Washington	[6] 462	134	596	90
West Virginia	206	199	405	61
Wisconsin	513	109	622	94
Wyoming	325	165	490	74
Guam	265	293	558	84
Puerto Rico	100	[7] 151	251	38
Virgin Islands	209	243	452	68
Median AFDC State [8]	321	166	487	74

[1] In most States these benefit amounts apply also to 2-parent families of 3 (where the second parent is incapacitated, or, as permitted in almost half the States, unemployed). Some, however, increase benefits for such families.

[2] In States with area differentials, figure shown is for area with highest benefit.

[3] Food stamp benefits are based on maximum AFDC benefits shown and assume deductions of $214 monthly ($89 standard household deduction plus $125 maximum allowable deduction for excess shelter cost and/or dependent care) in the 48 contiguous States and D.C. In the remaining five jurisdictions these maximum allowable food stamp deductions are assumed: Alaska, $370; Hawaii, $306; Guam, $330 and, Virgin Islands, $170. If only the standard deduction were assumed, food stamp benefits would drop by $38 monthly in most of the 48 contiguous States and D.C. Maximum food stamp benefits from October 1982 through September 1984 are $199 for a family of three except in these 4 jurisdictions, where they are as follows: Alaska, $294; Hawaii, $283; Guam, $293; and Virgin Islands, $255.

[4] Except for Alaska and Hawaii, this column is based on an unofficial preliminary estimate of the Census Bureau's 1983 poverty threshold for a family of three persons, $7,936, converted to a monthly rate of $661. For Alaska, this threshold was increased by 25 percent; for Hawaii, by 15 percent, following the practice of the Office of Management and Budget (OMB).

[5] This includes a winter heating increment of $50 for 6 months (November 1983 through April 1984). This allowance is disregarded by the food stamp program.

[6] In these States part of the AFDC cash payment has been designated as energy aid and is disregarded by the State in calculating food stamp benefits. New York disregards $30, the full amount of a benefit boost voted in May 1981. Oregon disregards $118, Rhode Island disregards $110.85, Washington disregards $32, and Maryland disregards $25.

[7] The estimated sum of cash nutritional assistance given in Puerto Rico, where cash has replaced food stamps.

[8] Among 50 States and D.C.

Source: Table prepared by CRS from information provided by a telephone survey of the States.

TABLE 6.—MAXIMUM AFDC BENEFITS, BY FAMILY SIZE, JANUARY 1984 [1]

State	2-person family	3-person family	4-person family	5-person family	6-person family
Alabama	$88	$118	$147	$177	$206
Alaska* [2]	617	696	775	854	933
Arizona* [3]	180	233	282	322	360
Arkansas	135	164	191	217	242
California*	424	526	625	713	802
Colorado [4]	265	336	408	484	558
Connecticut* [5]	427	529	617	695	777
Delaware*	212	287	336	416	475
District of Columbia	236	299	366	422	497
Florida [3]	178	231	273	315	356
Georgia	169	202	238	272	295
Hawaii* [6]	390	468	546	626	709
Idaho	246	305	345	385	420
Illinois [7]	250	302	368	434	495
Indiana	198	258	318	374	414
Iowa	305	360	419	464	516
Kansas* [8]	306	364	411	453	495
Kentucky*	162	188	235	275	310
Louisiana [9]	138	190	234	277	316
Maine [2]	253	341	430	518	606
Maryland	230	295	355	411	454

TABLE 6.—MAXIMUM AFDC BENEFITS, BY FAMILY SIZE, JANUARY 1984 [1]—Continued

State	2-person family	3-person family	4-person family	5-person family	6-person family
Massachusetts	314	379	445	511	577
Michigan:					
(Washtenaw County) [10]	376	445	516	593	677
(Wayne County) [10]	348	418	488	566	649
Minnesota*	412	500	583	654	726
Mississippi	60	96	120	144	168
Missouri	209	261	305	346	384
Montana	279	332	425	501	564
Nebraska*	280	350	420	490	560
Nevada [2]	183	228	272	317	362
New Hampshire* [11]	291	341	389	437	497
New Jersey*	273	360	414	468	522
New Mexico*	210	258	313	359	391
New York:					
(Suffolk County)* [12]	486	579	676	763	776
(New York City)* [12]	399	474	566	646	731
North Carolina	176	202	221	242	261
North Dakota* [2]	289	357	437	496	547
Ohio	227	276	343	400	445
Oklahoma* [2]	218	282	349	409	468
Oregon*	312	368	445	523	596
Pennsylvania [13]	273	350	415	474	514
Rhode Island* [14]	375	462	528	594	669
South Carolina	108	142	174	206	238
South Dakota* [15]	280	321	361	401	441
Tennessee	101	127	154	182	209
Texas	128	148	178	198	228
Utah	286	362	416	490	540
Vermont [16]	507	530	592	671	716
Virginia [17]	258	310	360	428	468
Washington [3]	374	462	544	627	710
West Virginia [18]	164	206	249	275	275
Wisconsin [19]	436	513	612	703	760
Wyoming* [3]	290	325	355	405	460
Guam*	205	265	310	341	371
Puerto Rico [20]	76	100	124	148	172
Virgin Islands*	$154	$209	$263	$317	$371
Median State* [21]	258	321	366	428	495

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*These States pay 100 percent of the need standard.

[1] Maximum benefit paid for a family of given size with zero countable income. Family members include 1 adult caretaker.

[2] Alaska, Maine, Nevada, North Dakota, and Oklahoma also have a children-only schedule.

[3] Arizona, Florida, Washington, and Wyoming have two payment schedules, one that includes shelter expenses and one that does not.

[4] Colorado no longer has separate payment schedules for winter months and non-winter months.

[5] Connecticut has three rent regions. Data shown are from rent region A which has the highest rents.

[6] The Hawaii figures include shelter maximums of $215, $240, $265, $290, and $320 for an AFDC family with 2 recipients to 6 recipients, respectively.

[7] Illinois divides itself into 3 distinct areas with regard to payment schedules. Data shown are from the Cook County area, which includes Chicago.

[8] Kansas has a basic standard and a shelter standard. The shelter standard varies from area to area (i.e. from $74 monthly to $132 monthly). The shelter payment in Topeka and some of the other larger cities is $106 monthly. The figures shown include a shelter standard of $132 monthly.

[9] Louisiana has two payment schedules—one for urban areas, from which our data were taken, and one for rural areas.

[10] Michigan has varied shelter maximums. Shown are benefits for Washtenaw County (Ann Arbor) and Wayne County (Detroit).

[11] New Hampshire payment schedules include a basic maintenance allowance plus an additional amount depending on the type of shelter: (1) no heat or utilities included in the shelter costs, (2) either heat or utilities included, or (3) both heat and utilities included. Data shown include both heat and utilities.

[12] New York has payment schedules for each social service district. Shown are the Suffolk County and New York City amounts. The figures include energy payments.

[13] Pennsylvania has four regions. The figures in the table are from region 1, which has the highest benefits.

[14] Rhode Island has a winter and non-winter payment schedule. The figures in the table are from the winter schedule which lasts from November through April. The non-winter schedule lasts from May through October.

[15] The South Dakota figures include rent of $120 monthly and utilities equal to $43 monthly.

[16] Vermont has a base amount plus a housing maximum that depends on whether the recipient is living in a furnished or unfurnished apartment inside or outside of Chittenden County. The largest amount paid to a recipient with no other income equals 65 percent of the base amount plus 65 percent of the housing allowance. The table assumes that the recipient is in an apartment with heat and utilities, for which the rent is $239 (the amount allowed for an apartment with heat and utilities is $239 throughout the State).

[17] Virginia has three payment schedules. The figures shown are from area 3 which has the highest benefits.

[18] West Virginia has three payment schedules. The figures show the higher benefit levels.

[19] Wisconsin has two regions. The figures in the table are from region 1, which has the highest benefits.

[20] Puerto Rico pays 50 percent of need plus rent as paid. The figures assume rent at $20 a month. Officials estimate that $20 is the average amount allowed for rent.

[21] Among 50 States and D.C.

Source: Table prepared by the Congressional Research Service (CRS) on the basis of a telephone survey of the States.

NEED AND PAYMENT STANDARDS

To receive AFDC payments, a family must pass two income tests: first, a gross income test, and second, a counted ("net") income test. The gross income test, imposed by Congress in 1981 (Public Law 97-35), is 150 percent of the State's need standard for the relevant family size; and it applies to both applicants and enrollees. No one with gross income that *exceeds* 150 percent of the need standard can receive AFDC. For applicants, the counted income test is 100 percent of the need standard, and it determines whether the family is deemed to be in "need."

However, to be eligible for an actual payment, the family's counted income also must be below the State's payment standard, which in 31 jurisdictions is below the need standard (see table 7).

Further, a $10 minimum payment rule imposed by Public Law 97-35 requires that counted income be at least $10 below the payment standard for an actual payment to be made.

TABLE 7.—AFDC NEED STANDARD FOR A 4-PERSON FAMILY, BY STATE, SELECTED YEARS

	July 1970	July 1975	July 1980	January 1984 [1]	Percent increase 1970–84
Alabama	$230	$225	$240	$480	109
Alaska	400	400	514	775	94
Arizona	256	282	282	282	10
Arkansas	176	290	273	273	55
California	432	389	591	625	45
Colorado [2]	235	264	351	496	111
Connecticut	330	403	553	617	87
Delaware	287	287	312	336	17
District of Columbia	280	349	481	715	155
Florida	223	230	230	468	110
Georgia	208	227	227	432	108
Hawaii	263	497	546	546	108
Idaho	272	395	421	627	131
Illinois	282	317	350	713	153
Indiana	322	363	363	363	13
Iowa	300	376	419	572	91
Kansas	267	353	390	411	54
Kentucky	244	235	235	235	−4
Louisiana	213	203	494	684	221
Maine	349	349	522	593	70
Maryland	302	314	326	450	49
Massachusetts	314	[2] 368	444	466	48
Michigan [3]	NA	NA	[1] 531	[4] 564	NA
(Detroit)	(263)	(399)	(501)	[4] (534)	[7] (83)
Minnesota	299	385	486	583	95
Mississippi	232	277	252	327	41
Missouri	325	370	365	365	12
Montana	250	227	331	513	105
Nebraska	330	328	370	420	27
Nevada	317	329	341	341	8
New Hampshire	294	346	392	389	32
New Jersey	347	356	414	414	19
New Mexico	203	239	267	313	54
New York [5]	NA	NA	[1] 563	676	NA
(New York City)	(336)	(400)	(476)	(566)	(68)
North Carolina	184	200	210	442	140
North Dakota	284	347	408	437	54
Ohio	258	431	431	643	149
Oklahoma	218	264	349	349	60
Oregon	281	452	[6] 441	445	58

TABLE 7.—AFDC NEED STANDARD FOR A 4-PERSON FAMILY, BY STATE, SELECTED YEARS—Continued

	July 1970	July 1975	July 1980	January 1984 [1]	Percent increase 1970–84
Pennsylvania	$313	$349	$395	$675	$115
Rhode Island	263	319	389	[7] 528	[8] 60
South Carolina	198	217	229	229	16
South Dakota	300	329	361	361	20
Tennessee	217	217	217	217	0
Texas	239	187	187	593	148
Utah	271	397	572	772	185
Vermont	327	458	753	911	179
Virginia	279	346	400	400	43
Washington	303	370	536	856	183
West Virginia	265	332	332	332	25
Wisconsin	255	456	622	720	182
Wyoming	277	270	340	355	28
Guam	NR	NR	306	310	NA
Puerto Rico	132	132	126	208	58
Virgin Islands	NR	166	263	263	NA
Median State [9]	280	349	392	468	70

[1] CRS survey data.

[2] Includes quarterly grant pro-rated monthly (CRS survey).

[3] Washtenaw County (Ann Arbor).

[4] Winter rate (Nov.–Apr.). Summer rate was $512 in Washtenaw County and $482 in Wayne County (Detroit).

[5] Suffolk County.

[6] Oregon based benefits on the age of the child. The figure shown assumes all children are under 6.

[7] Winter rate (Nov–April). Summer rate was $421.

[8] Change calculated on basis of summer 1983 rate.

[9] Among 50 States and D.C.

NR=Not reported.

NA=Not available.

Note: Table compiled by the Congressional Research Service (CRS) on the basis of data from the Department of Health and Human Services and, where noted, from CRS itself.

Need Standard and Maximum Benefit Changes Over Time

Table 7 presents the change in the AFDC need standard from July 1970 to January 1984, by State. The increase in the median State from July 1970 to July 1975 (a period of 5 years) was 20 percent and from July 1975 to July 1980 it was 12 percent. From July 1980 to January 1984 (a period of 3½ years), the increase was 19 percent.

Many States increased their need standards (but often not actual benefit levels) after passage of the gross income limit, 150 percent of the need standard.

TABLE 8.—AFDC MAXIMUM BENEFIT FOR A 4-PERSON FAMILY, BY STATE, SELECTED YEARS

	July 1970	July 1975	July 1980	January 1984 [1]	Percent increase 1970–84	Percent increase in constant dollars
Alabama	$81	$135	$148	$147	81	−30
Alaska	375	400	514	775	107	−21
Arizona	167	197	244	282	69	−35
Arkansas	100	140	188	191	91	−27
California	221	349	563	625	183	6
Colorado	235	264	351	408	74	−33
Connecticut	330	403	553	617	87	−28
Delaware	187	258	312	336	80	−31
District of Columbia	238	297	349	366	54	−41
Florida	134	170	230	273	104	−22
Georgia	133	153	193	238	79	−31
Hawaii	263	497	546	546	108	−20
Idaho	242	344	367	345	43	−45
Illinois	282	317	350	368	30	−50
Indiana	150	250	315	318	112	−19
Iowa	243	356	419	419	72	−34
Kansas	244	353	390	411	68	−35
Kentucky	187	235	235	235	26	−52
Louisiana	109	158	[1] 213	234	115	−18
Maine	168	219	352	430	156	−2
Maryland	196	242	326	355	81	−31
Massachusetts	314	[2] 368	[1] 419	445	42	−46
Michigan [3]	NA	453	[1] 531	[4] 516	NA	NA
(Detroit)	(263)	(399)	(501)	[4] (488)	[4] (68)	(−36)
Minnesota	299	385	486	583	95	−25
Mississippi	70	60	120	120	71	−34
Missouri	130	150	290	305	135	−10
Montana	228	227	331	425	86	−28
Nebraska	200	245	370	420	110	−19
Nevada	143	230	314	272	90	−27
New Hampshire	294	346	392	389	32	−49
New Jersey	347	356	414	414	19	−54
New Mexico	182	206	267	313	72	−35
New York [5]	NA	[1] 476	[1] 563	676	NA	NA
(New York City)	(336)	(400)	(476)	(566)	(68)	(−35)
North Carolina	158	200	210	221	40	−46
North Dakota	261	347	408	437	67	−36
Ohio	200	254	327	343	71	−34

TABLE 8.—AFDC MAXIMUM BENEFIT FOR A 4-PERSON FAMILY, BY STATE, SELECTED YEARS—Continued

	July 1970	July 1975	July 1980	January 1984[1]	Percent increase 1970–84	Percent increase in constant dollars
Oklahoma	$185	$264	$349	$349	89	−28
Oregon	225	413	[6] [1] 441	445	98	−24
Pennsylvania	313	349	395	415	33	−49
Rhode Island	263	319	389	[7] 528	[8] 60	−39
South Carolina	103	117	158	174	69	−35
South Dakota	300	329	361	361	20	−54
Tennessee	129	132	148	154	19	−54
Texas	179	140	140	178	−1	−62
Utah	212	306	429	416	96	−25
Vermont	304	367	552	592	95	−25
Virginia	261	311	[1] 305	360	38	−47
Washington	303	370	536	544	80	−31
West Virginia	138	249	249	249	80	−31
Wisconsin	217	403	529	612	182	8
Wyoming	227	250	340	355	56	−40
Guam	NR	NR	306	310	NA	NA
Puerto Rico	53	53	[1] 66	124	134	−10
Virgin Islands	NR	166	210	263	NA	NA
Median State[9]	225	264	350	366	80	−33

[1] CRS survey data.

[2] Includes quarterly grant pro-rated monthly, (CRS survey).

[3] Washtenaw County (Ann Arbor).

[4] Winter rates (Nov.–April). Summer rate was $468 in Washtenaw county and $441 in Wayne County (Detroit).

[5] Suffolk County.

[6] Oregon-based benefits on age of child. The figure assumes all children are under 6.

[7] Winter rate (Nov.–April). Summer rate was $421.

[8] Change calculated on basis of summer 1983 rate.

[9] Among 50 states and D.C.

NR=Not reported.
NA=Not available.

Note: Table compiled by the Congressional Research Service (CRS) on the basis of data from the Department of Health and Human Services and, where noted, from CRS itself. The last column of the table was computed using the CPI-U Consumer Price Index. A projection of 304 was assumed for January 1984.

Table 8 presents information on how the maximum AFDC benefit for a 4-person family with no income has grown from July 1970 to January 1984 by State. In current dollars, the maximum benefit of the median State climbed 17 percent from July 1970–July 1975, 33 percent from July 1975–July 1980, but only 4.6 percent from July 1980–January 1984 (a period of 3½ years).

In constant dollars (after adjustment for inflation), in all but 2 States benefit levels failed to keep pace with inflation. The median decline in benefit levels adjusted for inflation from 1970 to 1984 was 33 percent.

These changes in maximum AFDC benefit levels are summarized in table 9 below. The median State's maximum AFDC benefit (guarantee) for a family of four rose from $225 in fiscal year 1970 to $368 in fiscal year 1983. In constant 1983 dollars, however, the median State's guarantee declined from $579 to $368; a decline of 36 percent.

Most AFDC families are eligible also for food stamps (until 1979 all were). As real AFDC benefits declined in the last dozen years, food stamp benefits rose to offset part of their losses. However, combined AFDC-food stamp benefits for a 4-person family without countable income in the median State dropped from $683 (1983 dollars) in 1971, when food stamps first operated under uniform national rules, to $536 in July 1983. This drop, which amounted to 22 percent, was almost wholly due to shrinkage in AFDC levels. Food stamp maximum benefits were virtually unchanged, since they were adjusted for food price inflation in all years except 1982.

TABLE 9.—HISTORICAL TRENDS IN AVERAGE PAYMENT PER RECIPIENT AND PER FAMILY; AND MAXIMUM AND MEDIAN BENEFITS FOR A FAMILY OF FOUR; FOR SELECTED YEARS FROM 1970 TO 1983[1]

	1970	1975	1980	1982	1983
AFDC payments:					
Average monthly benefit per family	178	202	269	300	310
Average monthly benefit per person	46	61	93	103	106
Median State benefit in July for a family unit of 4 with no income	225	264	350	368	368
Median State benefit in July in constant 1983 dollars [1]	579	487	423	377	368
Maximum State benefit in July for a family unit of 4 with no income	375	497	563	634	682
Maximum State benefit in July in constant 1983 dollars [1]	965	916	680	649	682

[1] The constant dollar numbers were calculated using the CPI-U monthly Consumer Price Index series.

NA=Not available.

Source: Office of Research and Statistics, Social Security Administration and the Congressional Research Service.

TREATMENT OF EARNINGS

States are required by Federal law to disregard certain earned income when determining the amount of benefits to which a recipient family is entitled. Before the Omnibus Budget Reconciliation Act of 1981, in order to provide a financial incentive for recipients to seek and maintain employment, Federal law required the deduction of an initial $30 in monthly earnings plus one-third of remaining earnings, plus work expenses (any expenses, including child care costs, reasonably attributable to the earning of income). When making an initial determination of eligibility, however, only work expenses were disregarded.

Amendments in the Budget Reconciliation Act of 1981 limit the disregard for work expenses to $75 per month, cap the child care disregard at $160 per month per child, and specify that the HHS Secretary can lower these sums for part-time work. The $30 plus one-third disregard is allowed for only 4 consecutive months in a 12-month period. Further, as noted earlier, States are prohibited from paying AFDC to any family with a *gross* income above 150 percent of the State's standard of need. These changes substantially reduce the amount of earnings a recipient may have and still receive some amount of AFDC.

The following example illustrates the impact of these changes on a mother working full time at the minimum wage. The need and payment standard are assumed to be $420 per month.

	Prior law	Current law	
		First 4 months	After 4 months
Gross earnings	581	581	581
Plus earned income credit	+32	+32	+32
Minus disregards:			
Initial disregards	−30	−105	−75
One-third of rest	−194	([1])	([1])
Child care	−100	−100	−100
One-third of rest	([1])	−136	0
Other expenses (e.g., payroll tax and transportation	−70	0	0
Total disregards	394	341	175
Total Income to count against AFDC benefits	219	272	438
AFDC benefits	201	148	0

[1] Not applicable.

AFDC eligibility and benefits are determined monthly. Public Law 97–35 requires States to determine eligibility on the basis of the family's circumstances in the current month; payment amounts must be determined "retrospectively"—on the basis of the family's countable income and resources in the preceding month (or at the discretion of the Secretary of Health and Human Services, the second preceding month). In addition, States must require recipients to provide monthly reports on income, family composition, and resources. However, the Secretary may waive this requirement if the State demonstrates that it is cost-beneficial to do so. The only two categories of recipients that cannot be exempted are those with earned income or recent work history.

Public Law 97–35 requires part of the income of a stepparent to be counted in determining eligibility and benefit amounts.

TREATMENT OF RESOURCES

Public Law 97-35 limits allowable resources to $1,000 (equity value) per family, excluding the home and one automobile if the family member's ownership interest does not exceed a limit chosen by the Secretary of Health and Human Services. HHS regulations set $1,500 as the equity value limit for the automobile and permit States to exclude from countable resources "basic items essential to day to day living," such as clothing and furniture. Previous regulations permitted States to adopt a counted resource limit as high as $2,000 per family member, but allowed States to consider the home and auto as counted resources.

AFDC FOR UNEMPLOYED PARENTS (AFDC-UP)

The original Social Security Act permitted States to give AFDC only to needy children in one-parent homes, unless the second parent were incapacitated. Then, as now, most AFDC children lived in fatherless homes. For the first 25 years of the program, if a father lost his job and his family became needy, State AFDC programs were forbidden to help the family so long as he lived at home. In 1961, in an antirecession measure, the law was changed so that jobless fathers at home would not disqualify their families for welfare. Since May of that year States have been permitted to give AFDC to needy children of unemployed parents.

At first the States defined "unemployment," and some included fathers who worked as much as 35 hours a week, but since 1971 Federal regulations have specified that an AFDC parent can work no more than 99 hours a month to be classified as unemployed.

Congress in 1981 (Public Law 97-35) specified that the qualifying unemployed parent must be the family's principal earner. Almost half of the 54 jurisdictions with AFDC programs never have used the option to give AFDC cash benefits to the unemployed and partly employed. The number of AFDC-UP State programs in recent years has ranged from 23 (December 1982) to 29 (September 1979), and in September 1983 was 25. The States now participating contain about 68 percent of the Nation's total AFDC caseload, including most relatively high-benefit States. Expansion of AFDC eligibility to unemployed parents has been resisted, at least in some of the remaining States, because of added medicaid costs. As mentioned before, a family that is eligible for AFDC automatically is eligible for medicaid.

During the 1970's, the AFDC-UP program served a monthly average of 120,000 families. In recent years the number of AFDC-UP families has risen sharply: fiscal year 1981, 209,000 families (monthly average); fiscal year 1982, 232,000; and fiscal year 1983, 272,000.

Enrollment in September 1983 (see table 12) was 283,000 families (1,192,595 persons), slightly below the peak number of 284,000 families in April 1983. AFDC-UP families in September 1983 averaged 4.2 persons, and they received payments averaging $463 per family, $110 per person.

NUMBER OF BENEFICIARIES AND AVERAGE AND MAXIMUM BENEFIT LEVELS

Table 10 presents the average monthly number of families and individuals receiving AFDC benefits since 1970. In fiscal year 1983, AFDC family enrollment was 3.6 million. This included 10.6 million recipients of whom approximately 66 percent were children. Of these AFDC families, 272,000 were two-parent families eligible because of an unemployed parent.

TABLE 10.—HISTORICAL TRENDS IN AFDC ENROLLMENTS AND AVERAGE PAYMENTS

Fiscal year	Average monthly number of (in thousands)						Average monthly benefit	
	Families [1]	Recipients [1]	Children [1]	Unemployed parent families	Unemployed parent recipients	Foster care children	Family	Recipient
1970	1,909	7,429	5,494	78	420	34	$178	$46
1971	2,532	9,556	6,936	143	726	57	180	48
1972	2,918	10,632	7,698	134	639	71	187	51
1973	3,124	11,043	7,968	120	557	NA	187	53
1974	3,170	10,845	7,825	95	433	NA	189	55
1975	3,357	11,094	7,952	100	446	54	202	61
1976	3,563	11,389	8,091	135	593	82	219	68
1977	3,593	11,141	7,846	149	659	83	241	78
1978	3,539	10,685	7,492	128	568	82	249	83
1979	3,496	10,318	7,197	114	506	82	257	87
1980	3,642	10,597	7,320	141	612	81	269	93
1981	3,871	11,160	7,615	209	881	101	277	96
1982	3,566	10,423	6,943	232	976	....	300	103
1983	3,646	10,641	7,046	272	1,144	....	311	106
1984 [2]	3,589	10,437	NA	NA	NA	....	315	108
1985 [2]	3,575	10,354	NA	NA	NA	....	319	110
1986 [2]	3,594	10,387	NA	NA	NA	....	324	112

[1] Includes unemployed parent families and, for 1971–81, foster care children.

[2] Projection under current law.

Source: Office of Family Assistance and Office of Family Resources, Social Security Administration.

The number of AFDC families rose more than 50 percent from 1971 to 1981, reaching a high of 3.9 million (monthly average) in 1981. In 1982, after the Omnibus Budget Reconciliation Act of 1981 took effect, the number dropped 8 percent, but in 1983 it rose 2 percent.

The number of AFDC recipients tells a different story and reflects shrinking family size. Recipient numbers reached a high in 1976, when they averaged 11.4 million, up 19 percent from the 1971 count. Enrollment in fiscal year 1981 totaled 11.2 million. Recipient numbers fell 7 percent in 1982, but rose 2 percent in 1983.

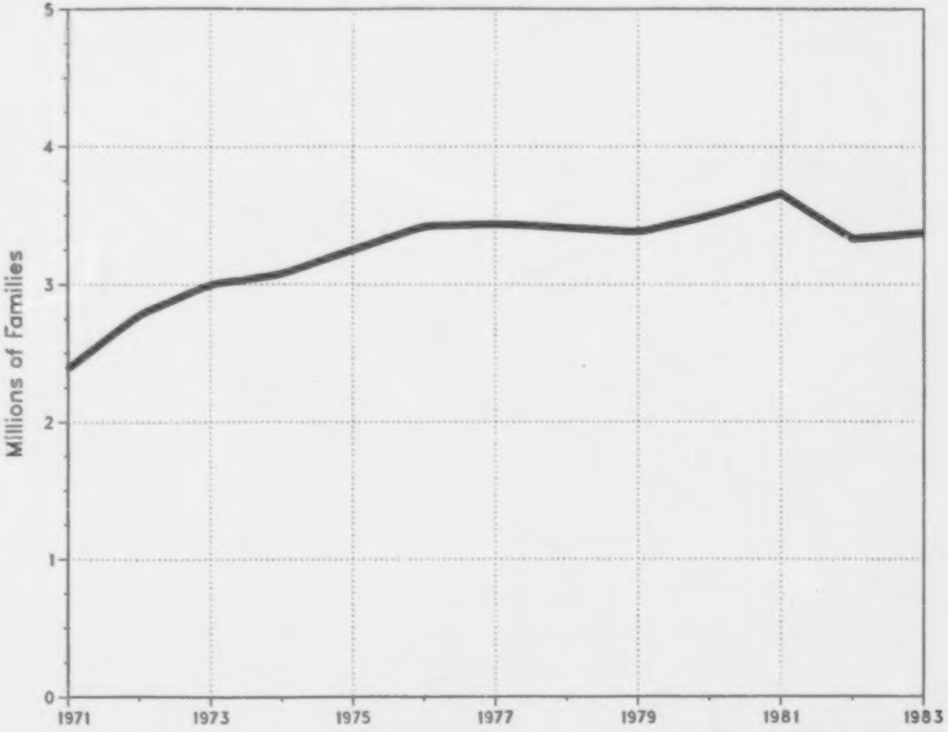
The number of one-parent AFDC families fell significantly in 1982, and then turned upward. However, the number of two-parent families (those aided because of the unemployment of a parent) began a steep climb in 1980 that lifted 1983 numbers to a record peak.

Charts 1 and 2 show 1971–83 trends in these caseloads.

Chart 1

Number of One–Parent AFDC Families

Fiscal Year Averages, 1971 – 1983

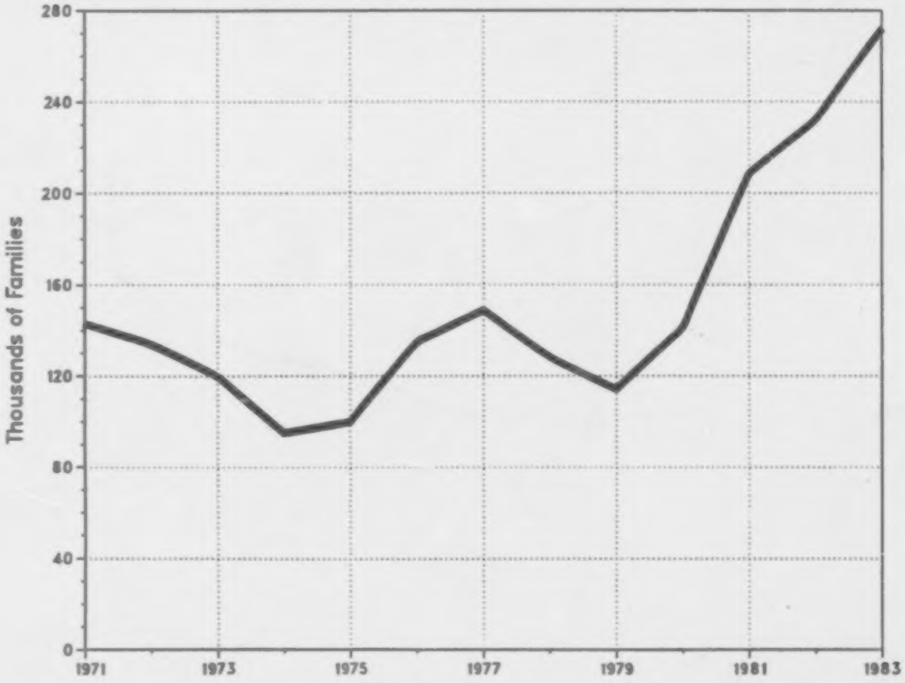


Graph prepared by CRS

Chart 2

Number of Two-Parent AFDC Families (AFDC–Unemployed Parent)

Fiscal Year Averages, 1971 – 1983



Graph prepared by CRS

September 1983 AFDC Data

Tables 11 and 12 present caseload and benefit data for September 1983. The share of persons receiving AFDC due to unemployment of the principal earner (AFDC–UP) was 11.1 percent. This compares with a 5.6 percent share for such recipients in 1971.

Average benefits per AFDC family (2.9 persons) were $322 in September 1983, compared with $309 a year earlier. Average benefits per AFDC–UP family (4.2 persons) were $463, compared with $453 a year earlier.

TABLE 11.—AFDC RECIPIENTS OF CASH PAYMENTS AND AMOUNT OF PAYMENTS, SEPTEMBER 1983

[INCLUDES NONMEDICAL VENDOR PAYMENTS AND UP SEGMENT; PRELIMINARY DATA]

State	Families (in thousands)	Recipients (in thousands)	Average payment per: Family	Average payment per: Recipient
Alabama	54.6	153.8	111	40
Alaska	4.6	11.7	598	236
Arizona	25.2	70.3	217	78
Arkansas	22.1	62.4	130	46
California	541.8	1,585.6	499	171
Colorado	29.8	86.5	301	104
Connecticut	43.8	127.6	437	150
Delaware	9.2	25.3	232	85
District of Columbia	22.8	59.7	291	111
Florida	104.3	284.0	211	77
Georgia	88.6	239.3	184	68
Guam	1.6	5.8	234	65
Hawaii	17.5	54.0	409	132
Idaho	6.8	18.7	240	88
Illinois	237.7	727.8	290	95
Indiana	57.1	164.5	216	75
Iowa	38.5	109.7	337	118
Kansas	24.6	72.3	301	102
Kentucky	58.7	155.3	184	70
Louisiana	67.5	204.8	170	56
Maine	16.9	48.2	364	127
Maryland	70.5	191.0	267	99
Massachusetts	89.9	250.9	604	216
Michigan	243.7	760.8	370	118
Minnesota	49.4	144.0	452	155
Mississippi	52.5	153.4	91	31
Missouri	67.3	191.2	243	86
Montana	6.8	18.9	307	111

TABLE 11.—AFDC RECIPIENTS OF CASH PAYMENTS AND AMOUNT OF PAYMENTS, SEPTEMBER 1983—Continued

[INCLUDES NONMEDICAL VENDOR PAYMENTS AND UP SEGMENT; PRELIMINARY DATA]

State	Families (in thousands)	Recipients (in thousands)	Average payment per:	
			Family	Recipient
Nebraska	14.7	42.2	319	111
Nevada	4.4	12.3	192	69
New Hampshire	6.7	17.8	290	109
New Jersey	132.7	395.0	328	110
New Mexico	17.3	46.9	200	73
New York	363.1	1,095.6	386	128
North Carolina	68.7	171.0	177	71
North Dakota	4.2	11.4	307	112
Ohio	222.7	671.7	264	87
Oklahoma	26.4	76.1	258	90
Oregon	27.2	72.3	298	112
Pennsylvania	191.2	574.0	320	107
Puerto Rico	54.8	179.8	97	29
Rhode Island	15.9	44.9	330	117
South Carolina	48.0	129.6	131	49
South Dakota	5.9	16.6	247	88
Tennesse	58.4	152.5	117	45
Texas	110.0	324.0	137	46
Utah	13.1	38.8	331	112
Vermont	7.5	21.7	381	131
Virgin Islands	1.3	3.6	198	70
Virginia	59.3	156.9	228	86
Washington	55.1	147.7	403	150
West Virginia	30.0	84.3	180	64
Wisconsin	90.5	275.3	461	152
Wyoming	3.2	8.3	315	120
Total United States	3,686.3	10,748.0	322	110

Source: Office of Family Assistance, Social Security Administration.

TABLE 12.—AID TO FAMILIES WITH DEPENDENT CHILDREN, UNEMPLOYED PARENT SEGMENT (AFDC–UP), RECIPIENTS OF CASH PAYMENTS AND AMOUNTS OF PAYMENTS BY STATE, SEPTEMBER 1983 (INCLUDES NONMEDICAL VENDOR PAYMENTS) [1]

	Number of families	Total number of recipients	Payments to recipients average per	
			Family	Recipient
California	81,886	362,801	623	141
Colorado	2,576	10,948	404	95
Connecticut	1,596	7,011	545	124
Delaware	290	1,210	278	67
District of Columbia	182	910	459	92
Guam	292	1,403	286	59
Hawaii	1,304	6,020	474	103
Illinois	16,987	71,117	343	82
Iowa	3,920	15,718	391	98
Kansas	2,706	11,076	350	86
Maryland	1,630	6,967	341	80
Massachusetts	2,932	12,386	729	173
Michigan	47,892	197,537	436	106
Minnesota	7,452	31,610	524	123
Missouri	1,579	6,615	292	70
Nebraska	1,301	5,599	383	89
New Jersey	6,600	26,000	362	92
New York	17,300	74,300	405	94
Ohio	41,862	171,150	320	78
Pennsylvania	16,059	67,077	373	89
Rhode Island	469	1,941	353	85
Vermont	713	2,901	441	108
Washington	672	2,813	483	115
West Virginia	7,182	23,011	198	62
Wisconsin	17,532	74,474	535	126
Totals	282,914	1,192,595	463	110

[1] Preliminary estimates.

Source: Office of Family Assistance, Social Security Administration.

INTERACTION WITH FOOD STAMPS

The interaction with the food stamp program has important financial implications for a State which desires to increase the income of its AFDC recipients by $1. Because food stamps are reduced by $0.30 for each additional $1 of AFDC income, the State must expend $1.43 to obtain an effective $1 increase in AFDC recipients' total income. For a State with a 50 percent matching rate, the State must expend $0.72 to obtain a $1 increase in recipient income. This would be the typical situation for an AFDC recipient with no earnings.

INTERACTION WITH SSI AND SOCIAL SECURITY

Social security benefits are treated as unearned income and thus AFDC benefits are reduced by $1 for each $1 of OASDI benefits. SSI benefits received by a potential member of an AFDC family are treated differently. This member (both a child or an adult receiving SSI benefits) is not regarded as a part of the AFDC unit. Thus his needs are not taken into account in determining the AFDC benefit level. At the same time, the income and resources of the SSI recipient are also ignored in determining the AFDC benefit.

CHARACTERISTICS OF AFDC FAMILIES

This section describes the characteristics of AFDC families, using two sources of data. For years through 1979, the sources were individual surveys of similar design specially conducted to gather information from agency case files. For May 1982, data were derived from information obtained in the May 1982 quality control case sample.

As noted before, Congress in 1981 changed AFDC rules significantly. The new rules primarily affected families with earnings and children living with their stepparents. For most such families, benefits were ended or reduced.

Table 13 shows that the share of AFDC families with earnings fell more than 50 percent from March 1979 to May 1982, from 12.8 percent to 5.9 percent. The share of families with no reported income other than AFDC climbed from 80.6 percent to 87.5 percent. Moreover (table 14) the average amount of support contributed by stepparents (and, in 1982, deemed from them) more than doubled, from $63 per family in March 1979 to $159 in May 1982.

Table 13 shows the trend in selected characteristics of AFDC families from 1969 to 1982. During this period, the average family size decreased from 4.0 persons to 2.9; the percent of families with no other income than AFDC rose more than 50 percent; and the share of AFDC households with nonrecipient members climbed from one-third to almost one-half (48.1 percent).

TABLE 13.—AFDC CHARACTERISTICS, 1969–82

	May 1969	January 1973	May 1975	March 1977	March 1979	May 1982*
Average family size (persons)	4.0	3.6	3.2	3.1	3.0	2.9
Incidence of fathers (percent):						
Absent	[1] 77.1	[2] 80.5	[2] 83.3	[2] 84.7	[2] 86.9	[1] 87.6
Not married to the mother	[1] 27.9	[2] 31.5	[2] 31.0	[2] 33.8	[2] 37.8	[1] 46.5
Incidence of working mothers (percent):						
With full-time jobs	8.2	9.8	10.4	8.4	8.7	NA
With part-time jobs	6.3	6.3	5.7	5.3	5.4	NA
Actively seeking work, or in school or training	10.0	11.5	12.2	13.8	12.8	NA
Percent of families:						
With earnings	[3] NA	16.3	14.6	12.9	12.8	5.9
With no reported income other than AFDC	56.0	66.9	71.1	[4] 78.2	[4] 80.6	87.5
Median number of months on AFDC [5]	23.0	27.4	31.0	26.3	29.3	26.3
Race (percent):						
White	[6] 49.2	46.9	50.2	52.6	51.7	NA
Black	46.2	45.8	44.3	43.0	43.9	NA
Incidence of households (percent):						
Living in public housing	[7] 12.8	13.6	14.6	14.9	NA	NA
Participating in food stamp or donated-food program	52.9	68.4	75.1	74.0	75.1	NA
Including nonrecipient members	33.1	34.9	34.8	NA	NA	48.1

[1] Calculated on the basis of total number of families.

[2] Calculated on the basis of total number of children; on the basis of total number of families, the January 1973 percentages would be 83 for absent fathers and 34.7 for unmarried-to-mother fathers.

[3] 13.7 percent of mothers had earnings in 1969 survey month, compared with 14.4 percent in 1973, 13.7 percent in 1975, and 12.3 percent in 1977.

[4] State collected child support directly beginning in 1975, removing one source of non-AFDC income.

[5] Since most recent enrollment.

[6] Excludes Puerto Rico and the Virgin Islands.

[7] As of 1971. Item not available for 1969.

NA—Not available.

*Note.—There is a special problem in matching current recipient characteristics data for May 1982 with those of previous years because the data sources differ. The sources of characteristics data through 1979 were individual surveys of similar design specially conducted to gather recipient characteristics from agency case files. In contrast, the current data were derived from the information available from the May 1982 quality control case sample.

Source: Congressional Research Service based on AFDC recipient characteristic studies, conducted by the Department of Health and Human Services.

Table 14 indicates that the share of AFDC families with no more than two children rose from 70.4 percent in 1979 to 74.1 percent in 1982, that the share of AFDC families with a mother (or other caretaker relative) younger than 19 declined from 3.8 percent to 3.2 percent during these 3 years; and that the percentage of families reporting no father in the home rose from 84.7 percent to 90.6 percent.

TABLE 14.—CHARACTERISTICS OF FAMILIES ENROLLED IN AFDC, MARCH 1979 AND MAY 1982 [1]

	Total caseload	
	March 1979 [2]	May 1982 [3]
Average payment per case	$251	$299
Number of child recipients (percent): [4]		
1	42.3	43.4
2	28.1	30.7
3	15.6	15.2
4	7.9	6.0
5	3.5	2.0
6 or more	2.5	1.6
Number of adult recipients (percent):		
0	(5)	12.4
1	(5)	80.5
2 or more	(5)	7.2
Age of mother (or other caretaker relative) (percent):		
18 or under	3.8	3.2
19 to 24	25.7	25.6
25 to 29	19.6	20.1
30 to 39	24.9	25.5
40 to 49	10.5	9.8
50 or over	3.6	3.5
Unknown	3.7	(*)
No mother (or other caretaker relative) in assistance unit	8.3	12.2
Age of youngest child (percent):		
0 to 2	(6)	35.3
3 to 5	(6)	23.9
6 to 17	(6)	40.1
18 to 20	(6)	0.7
Father's relationship to youngest child (percent):		
No father	84.7	90.6
Natural father	9.6	NA
Adoptive father	0.0	NA
Stepfather	5.6	NA
Mean length of time on AFDC (months)	44.7	NA

[1] See note on table 12 about difference in data sources for 1979 and 1982.

[2] Source: Committee staff tabulation of March 1979 AFDC recipients' data base.

[3] Source: Office of Family Assistance, Social Security Administration.

[4] All percentages relate to families (AFDC cases).

[5] 1979 data tabulation related to percent of families with specified number of adult nonrecipients: 0, 67.2 percent; 1, 16.1; and 2 more, 16.7.

[6] Age brackets were different in 1979 study: Unborn, 0.5 percent of families; 0–3 years, 42.2; 4–6, 19.2; 7–18, 36.8; 19–20, 0.5; unknown, 0.8.

*Less than 0.5 percent.

NA—Not available.

Percentages may not equal to 100 percent due to rounding.

Table 15 presents data about the employment status of the AFDC mother (or other caretaker relative), information about her status with the work incentive program (WIN), and data about tenure on AFDC.

The table indicates that the share of mothers (or other caretaker relatives working full time declined from 8 percent in 1979 to 1.3 percent in 1982; the share working part-time fell from 5.0 percent to 4.3 percent in the same period.

The table also indicates that the share of the families who received benefits for more than 5 years (since the most recent opening of their case) declined from 26.9 percent in 1979 to 23.5 percent in 1982.

TABLE 15.—EMPLOYMENT AND WIN STATUS OF AFDC MOTHERS, TENURE OF AFDC FAMILIES, MARCH 1979 AND MAY 1982 [1]

	Percent of total caseload	
	March 1979 [2]	May 1983 [3]
WIN status of mother (or other caretaker):		
No mother or (caretaker) mother not receiving payment..	18.0	12.2
Mandatory registrant	20.6	25.9
Voluntary registrant	4.1	1.6
Ill or incapacitated	4.1	3.0
Child or other care	43.1	40.6
No WIN project	7.2	10.5
Other	2.9	6.2
Employment status of mother (or other caretaker):		
No mother (caretaker)	8.3	12.2
Full-time work, 35 or more hours per week	8.0	1.3
Part-time work, fewer than 35 hours per week	5.0	4.3
Incapacitated	6.0	NA
At school	2.6	NA
On layoff	0.5	NA
Seeking work	9.1	NA
Other—needed at home or not actively seeking work	60.5	82.2
Number of months on AFDC since most recent opening:		
1 to 6 months	16.4	20.0
7 to 12 months	12.5	12.4
13 to 24 months	16.7	16.2
25 to 36 months	11.4	12.6
37 to 60 months	15.3	14.2
61 plus months	26.9	23.5
Unknown	0.8	1.1

[1] See note on table 13 about difference in data sources for 1979 and 1982.

[2] Source: Committee staff tabulation of March 1979 AFDC recipients' data base.

[3] Source: Office of Family Assistance, Social Security Administration.

Table 16 presents data on income sources of AFDC families. It indicates that the share of AFDC families with earnings from the mother (or other caretaker relative) or from the spouse of the caretaker relative declined from 12.6 percent in March 1979 to 5.7 percent in May 1982. Further, according to the table, the average amount earned dropped, from $382 to $261 for mothers with earnings; and from $323 to $244 for fathers (or spouses of caretaker relatives) with earnings. As noted before, contributions from stepparents, or income deemed from them, more than doubled.

TABLE 16.—INCOME SOURCES OF AFDC FAMILIES,[1] MARCH 1979 [2] AND MAY 1982 [3]

Income source	Percentage of caseload with income type		Average amount for those with income type	
	March 1979	May 1982	March 1979	May 1982
Earned income:				
Mother (or caretaker relative)	12.0	5.3	$382	$261
Father (or spouse of caretaker relative)	0.6	0.4	323	244
Children (14+)	0.1	(4)	206	398
Other adults	0.1	NA	265	NA
Public service	0.1	NA	246	NA
OASDI	3.1	2.5	134	145
Veterans' benefits	0.4	NA	128	NA
Other pensions	0.4	0.4	143	134
Unemployment compensation	0.7	1.0	238	255
Workmen's compensation	0.1	(4)	237	200
Stepparent contributions or deemed income (1982)	0.2	0.3	63	159
Contributions from other persons	0.6	0.9	72	79
Other cash income	1.9	2.5	81	251
In-kind income	0.4	NA	71	NA
Total	19.4	NA	299	NA

[1] See note on table 13 about differences in data sources for 1979 and 1982.

[2] Source: Committee staff tabulation of March 1979 AFDC recipients' data base.

[3] Source: Office of Family Assistance, Social Security Administration.

[4] Less than 0.0 percent.

NA—not available.

Table 17 provides data on the share of AFDC families whose benefits were based on less than their gross cash income. That is, it summarizes information about disregarded (uncounted) income.

The table shows a decline in the share of families receiving the work incentive disregard (exclusion of the first $30 earned monthly plus one-third of the rest of earnings). This work incentive bonus was repealed in 1981, except for the first 4 months of a job. It indicates that the average amount of child care costs disregarded declined from $101 monthly in March 1979 (for those with such costs) to $86 in May 1982.

TABLE 17.—INCOME OF AFDC FAMILIES NOT COUNTED BY THE PROGRAM,[1] MARCH 1979 [2] AND MAY 1982 [3]

Disregards	Percent of caseload with disregard		Average amount for those with disregard	
	March 1979	May 1982	March 1979	May 1982
Optional $5 disregard	1.1	(4)	$6	(4)
$30 and one-third of earned income	12.5	[5] 2.5	147	[5] $62
Child care	3.9	1.3	101	86
Other work expenses	8.4	5.2	95	54
Cases with child care and other work expenses [6]	3.0		100	
Child support	0.1	(7)	93	NA
Other	1.6	0.4	77	100
Total	13.8	NA	250	NA

[1] See note on Table 13 about differences in data sources for March 1979 and May 1982.
[2] Source: Committee staff tabulation of March 1979 AFDC recipients' data base.
[3] Source: Office of Family Assistance, Social Security Administration.
[4] Repealed by 1981 law.
[5] Limited to 4 months' duration by 1981 law.
[6] In these cases, there was insufficient information in the data file to distinguish between child care and other work expenses.
[7] Less than 0.05 percent.

NA—Not available.

TURNOVER WITHIN THE AFDC CASELOAD

A 1983 study of AFDC families[1] found that although most "spells" of AFDC are relatively short, most persons enrolled in the program at any point in time are in the midst of spells that last at least 8 years. The study reported that half of AFDC spells lasted less than two years, but that 50.2 percent of the persons enrolled at a point in time were in the midst of very long episodes of AFDC and that such long-term recipients used most of the resources of the program.

In the period covered by the study, which preceded passage of the Omnibus Budget Reconciliation Act of 1981 (OBRA), AFDC benefits were phased out gradually as family earnings rose. Because of the work incentive bonus (disregard of the first $30 in monthly earnings plus one-third of the rest) and the deduction of all reasonable work expenses, the gross earnings limit for AFDC eligibility in most States was about double the maximum benefit paid to a family without countable income.

The rate of return to the program by those who ended a spell of AFDC was relatively high. Overall, 34 percent eventually resumed welfare. Among those who left welfare because of increased earnings, 40 percent later returned for another AFDC spell. AFDC returns also were common among those who left AFDC via marriage; 40 percent of these ex-welfare mothers also eventually returned to the rolls.

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[1] Bane, Mary Jo, and Ellwood, David T., The Dynamics of Dependence; The Routes to Self-Sufficiency. Prepared for the U.S. Department of Health and Human Services under contract No. HHS-100-82-0038, June 1983. (Prepared by Urban Systems Research and Engineering, Inc., Cambridge, Mass.)

The study shed light on the routes into and out of AFDC before passage of OBRA. It reported:

Beginnings of AFDC spells.—Three-fourths of all spells began with a relationship change that created a female-headed family with children. Almost half the AFDC spells started after a wife became a female family head (by loss of the male head and his earnings due to absence, divorce, separation, death). Another 30 percent began when a never-married, divorced, or separated woman acquired a child.

In contrast to changes in family composition, changes in earnings were a relatively minor cause of resorting to welfare. The study found that only 12 perecent of AFDC spells could be traced to a drop in family earnings.

Endings of AFDC spells.—The most common route out of AFDC was by way of a change in family structure. Some 46 percent of endings occurred this way—32 percent when a female head became a wife and 14 percent when the household no longer contained a child under 18.

Increased earnings were much more significant in ending AFDC than decreased earnings were in starting it. Some 39 percent of endings occurred this way—32 percent when the female head herself earned more money and 7 percent when another member of the family increased earnings.

Poverty status.—About 40 percent of those who ended AFDC spells were poor after their exit. About 52 percent of those whose AFDC eligibility ended because they no longer had an eligible child were poor in the following year. For those who earned their way off AFDC, about 32 percent were poor in the year after their welfare spell; their poverty reflected the sub-poverty gross income eligibility limits of AFDC in many States.

IMPACT OF 1981 PROGRAM CHANGES

The Omnibus Budget Reconciliation Act of 1981 (OBRA) imposed a gross income limit for AFDC eligibility (150 percent of a State's need standard), capped the deduction for child care costs ($160 monthly per child), set a standard deduction for other work expenses ($75 monthly), and ended the work incentive disregard for working recipients after their first 4 months on a job. These provisions affected AFDC parents with jobs by reducing or ending their benefits. They also had potential effects on welfare mothers without jobs by reducing the gains possible from work, and on nonwelfare mothers with low earnings. Under previous law, a person in the latter group could increase total income by decreasing or ending earnings, enrolling in AFDC, and then resuming work. OBRA also required States to count part of the income of a stepparent as available to an AFDC child.

HHS Assistant Secretary Rubin reported in testimony that 408,000 families lost eligibility and 299,000 lost benefits as a result of the OBRA changes. The changes saved the Federal and State governments about $1.1 billion in 1983. This implies an average loss in benefits per family of $1,555 per year.

Changes in AFDC caseload, May 1981 versus May 1982

HHS undertook an analysis [2] of selected caseload changes between May 1981 and May 1982, using the AFDC quality control case sample for these months to see how the AFDC population changed after OBRA went into effect.

Major preliminary findings include:

—The percentage of AFDC families with earnings declined by about 50 percent, from 11.5 percent of all AFDC families in May 1981 to 5.6 percent in May 1982. Approximately 50 percent of the 11.5 percent had full-time jobs. In contrast, only 20 percent of the 5.6 percent had full-time jobs.

—The percentage of families with stepparents in the household declined by almost one-half, from 6.6 percent in 1981 to 3.4 percent in 1982.

—The overall caseload declined by about 8 percent.

—The share of families whose caretaker relative had a full-time job dropped from 5.9 percent in 1981 to 1.2 percent in 1982. The study said that it was reasonable to attribute "a substantial portion" of the drop in full-time workers to the new gross income rule.

—Earnings of AFDC mothers (or other caretaker relatives) declined. In May 1982, 50.3 percent of those with jobs earned $200 or less, compared with 28.8 percent a year earlier. In May 1982, 0.6 percent of mothers with jobs earned $700 or more, but a year before, 12.8 percent of such mothers had earned this much.

—The share of families receiving a child care deduction of $160 or more monthly fell by 50 percent, from 4 percent in 1981 to 2 percent in 1982.

—The share of AFDC families with earnings whose disregarded work expenses exceeded $100 declined from more than 33 percent in May 1981 to 3 percent. It had been expected that no AFDC working recipient would receive more than $75 in disregarded work expenses because of the 1981 ceiling. However, approximately 5 percent of the families in May 1982 received a full disregard of their mandatory payroll deductions (without regard to the $75 ceiling). This occurred chiefly because of a court case in New York that prevented the State from implementing the new rule by May 1982.

Evaluation of the 1981 AFDC amendments

A study commissioned by the Department of Health and Human Services [3] and prepared by Research Triangle Institute compared a national sample of AFDC families before and after OBRA.

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[2] Weder, Wilbur A., Current AFDC Recipient Characteristics and Analysis of Selected Caseload Changes Between May 1981 and May 1982, Division of Research, Evaluation, and Statistics, OPE, Office of Family Assistance, Social Security Administration. Typewritten manuscript.

[3] Final report, Evaluation of the 1981 AFDC Amendments, prepared by research Triangle Institute under task order #1, contract No. 600-82-0095, and submitted to Office of Family Assistance, Social Security Administration, April 15, 1983.

Major findings include:

—Earners in the 1981 sample (after OBRA) were more likely than 1980 earners (before OBRA) to be off the AFDC rolls a year later. The share of September 1981 earners no longer on welfare in October 1982 was 55 percent. Of September 1980 earners, 28 percent no longer were enrolled in the program a year later.

—The rates of return to AFDC after leaving the rolls were "similar" for the two groups.

—For both groups, approximately 18 percent of AFDC recipients who began the base year (1980 or 1981) with earnings no longer had a job at the end of the year and were receiving AFDC. This suggested that a "normal" rate of job loss occurred in both years and that OBRA had not induced a widespread change in behavior.

—Of the September 1981 earners who no longer received an AFDC payment a year later, approximately 87 percent were working. Their average monthly earnings were $704. (Because of a low response rate to the follow-up survey of former AFDC recipients, however, the report said these data "must be interpreted cautiously.")

—The unemployment rate seemed to have relatively little effect on AFDC participation and on earnings of AFDC recipients.

Wisconsin caseload changes after OBRA

Researchers at the Institute for Research on Poverty [4] studied short-time changes in the Wisconsin AFDC caseload after OBRA took effect.

Findings include:

—Wisconsin AFDC family enrollment declined by 9.5 percent from September 1981 to June 1982.

—Because OBRA primarily affected families with earnings, whose benefits were smaller than average, costs per Wisconsin family rose by almost 4 percent from September 1981 to June 1982.

—Of the AFDC women with pre-OBRA earnings, 45 percent lost eligibility in December 1981 or January 1982 because of the new rules, and 55 percent received lower benefits than before. As of the interview (February–May 1983), 29 percent of the entire group (those dropped from the rolls a year earlier plus those with reduced benefits) had been off AFDC the entire time since the OBRA-induced change; 37 percent were enrolled in AFDC; and 34 percent, although not on the rolls at the time of the interview, had been enrolled for at least one month since the OBRA-induced change.

—Average yearly income (earnings plus AFDC plus food stamps) of all persons whose benefits were ended or reduced by OBRA in late 1981 or early 1982 was reduced by 17 percent. The figure declined from $10,092 in September 1981 to $8,407 at the time of the post-OBRA interview.

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[4] Cole, Steven, Sandra Danziger, Sheldon Danziger, and Irving Piliavin, Poverty and Welfare Recipiency after OBRA: Some Preliminary Evidence from Wisconsin. Prepared for the Association for Public Policy Analysis and Management Research Conference, October 20–22, 1983, Institute for Research on Poverty. Typewritten draft.

BUDGETARY ESTIMATES OF 1981-82 LEGISLATIVE CHANGES IN THE AFDC PROGRAM

The 97th Congress made several changes in AFDC, most of which were estimated to reduce outlays in the program. Below is a list of major provisions and the Federal outlay changes attributed to them in revised estimates made in mid-January 1984 by the Congressional Budget Office (CBO).

TABLE 18.—CBO ESTIMATES OF 1981 AND 1982 AFDC LEGISLATIVE CHANGES

[Millions of dollars]

	Fiscal year					
	1982	1983	1984	1985	1986	1987
1981 CHANGES (PUBLIC LAW 97-35)						
Limit and standardize earnings disregards	-345	-315	-325	-330	-330	NA
Change determination of resources	-16	-17	-17	-17	-17	NA
Permit offset for food stamps and housing subsidies	(1)	(1)	(1)	(1)	(1)	NA
Permit community work experience programs	NA	NA	NA	NA	NA	NA
Treat lump-sum payments as income	-5	-5	-5	-5	-5	NA
Count some income of stepparents living with dependent child	-154	-145	-136	-127	-118	NA
Exclude family of a striker from eligibility	-5	-5	-5	-5	-5	NA
Lower age limit of dependent child	-50	-52	-54	-56	-57	NA
Limit AFDC for pregnant women	-20	-21	-21	-23	-23	NA
Recover overpayments/pay under-payments	NA	NA	NA	NA	NA	NA
Reduce Federal matching for training	-16	-17	-18	-20	-20	NA
Require retrospective accounting and monthly reporting	(1)	-35	-65	-65	-65	NA
Eligibility of aliens for AFDC	-15	-15	-15	-15	-15	NA
Administrative savings	-11	-14	-18	-22	-26	NA
Total—AFDC [2]	-637	-641	-679	-685	-681	NA
1982 CHANGES (PUBLIC LAW 97-248)						
Round benefits down	NA	-9	-10	-10	-10	-10
Prorate benefits to application date	NA	-13	-14	-14	-14	-14
End military service absence as eligibility grounds	NA	-15	-17	-17	-17	-18
Permit State job search	NA	NA	NA	NA	NA	NA
Permit proration of shelter and utilities	NA	(1)	(1)	(1)	(1)	(1)
Change error rate sanctions	NA	0	0	-62	-63	-63

TABLE 18.—CBO ESTIMATES OF 1981 AND 1982 AFDC LEGISLATIVE CHANGES—Continued

[Millions of dollars]

	Fiscal year					
	1982	1983	1984	1985	1986	1987
Exclude certain State payments from countable income	NA	0	0	0	0	0
Extend WIN demonstration	NA	0	0	0	0	0
Exclude State payments to children	NA	0	0	0	0	0
Technical amendments	NA	+1	0	0	0	0
Exclude home energy assistance	NA	+1	+2	+2	0	0
Total AFDC provisions	NA	−35	−39	−101	−104	−105
Food stamp impact of AFDC provisions [2]	NA	+16	+18	+18	+18	+19

[1] Savings or costs of less than $5 million annually.

[2] Does not include any resulting impact on the medicaid and food stamp program.

NA—Not available.

In these 1984 revisions, CBO more than doubled its January 1982 estimates of fiscal years 1982–85 Federal savings from the 1981 rules that limit and standardize the earnings disregard (from an aggregate of $477 million in those years to $985 million). The revised estimates assume that work efforts will not be so sharply reduced by the change in treatment of earnings as CBO earlier anticipated.

CBO reduced its January 1982 estimates of savings from adoption of retrospective accounting and monthly reporting in AFDC by more than one-third, from $382 million in fiscal years 1983 and 1984, to $100 million. The revised estimates take account of new studies that show smaller savings from these administrative procedures than were indicated in earlier reports.

WORK REQUIREMENTS AND PROGRAMS

As a condition of AFDC eligibility, persons 16 years of age or older, who are receiving or applying for AFDC, must register for work and training. An individual may be exempt from the work registration requirement if he or she is unable to participate due to illness, incapacity, advanced age, full-time student status, remoteness from a work incentive (WIN) program site, the need to care for an ill or incapacitated member of the household, or working at least 30 hours per week. Also exempt is the parent caring for a child under 6 years of age; in a two-parent family, one parent is exempt if the second parent is registered for work.

Work registration is one component of the work incentive (WIN) program. All States operate a WIN program or a WIN demonstration program. In addition, the Act permits States to offer several other employment programs. These are: job search, the community work experience program, and work supplementation. Some States are also operating grant diversion programs under AFDC demonstration authority.

The WIN program and WIN demonstrations

The WIN program was established in 1967 with the purpose of providing skill assessments, job training, and employment placements to help AFDC recipients to become self-supporting (see tables 19–21). At the Federal level, the program is jointly administered by the Department of Labor and the Department of Health and Human Services. A dual administrative structure is also in place at the State level, unless the State has elected to operate a 3-year WIN demonstration project. These projects, authorized by the Omnibus Budget Reconciliation Act of 1981 (Public Law 97–35), permit States to design an alternative to WIN, administered solely by State welfare agencies. The Department of Health and Human Services oversees these demonstrations. By the end of fiscal year 1983, 20 States were operating WIN demonstrations. Table 22 identifies the WIN demonstration States and the date the demonstration began.

In fiscal year 1981, Federal funding for the WIN program totaled $365 million. By fiscal year 1984, Federal WIN funding had declined to $271 million. Funding limitations have restricted the States' ability to provide WIN services and training to AFDC recipients. As a result, many WIN registrants do not ever receive skills assessments, training, or job placements. In May 1982, 25.9 percent of the total AFDC caseload was required to register for WIN; another 1.6 percent volunteered.

AFDC recipients who are selected for participation in WIN must accept available jobs, training or needed services to prepare them for employment. Refusal to do so without good cause will result in a sanction. In the case of two-parent families, the entire family is made ineligible. In the case of a single parent who refuses to work, payment to the nonworking adult is denied, but protective payments continue for the children. Protective payments are payments to a third party. Usually a relative, neighbor or friend will receive the benefit check on behalf of the child; sometimes the State caseworker will serve as protective payee.

Effective for tax years beginning after December 31, 1981, WIN registrants and AFDC recipients were added to the list of target groups for whom employers can receive a targeted jobs credit. The credit is equal to 50 percent of up to $6,000 in wages for the first year of employment and 25 percent of such wages for the second year.

TABLE 19.—WORK INCENTIVE PROGRAM DATA, SELECTED FISCAL YEARS 1975–83

[Persons in thousands; dollars in millions]

Category	1975	1977	1979	1981	1982	1983[1]
New registrants	839	1,061	920	1,156	903	623
Registrants on board (end of year)	1,335	1,542	1,502	1,567	1,006	947
Appraisals	555	691	626	808	653	470
Certifications	328	484	478	377	292	347

TABLE 19.—WORK INCENTIVE PROGRAM DATA, SELECTED FISCAL YEARS 1975–83—Continued

[Persons in thousands; dollars in millions]

Category	1975	1977	1979	1981	1982	1983[1]
Entered employment:[2]						
Full time	171	246	250	250	147	91
Part time		32	48	69	51	36
Total[3]	171	278	299	310	193	131
Welfare cost savings[4]	NA	$436	$599	$760	$521	$293
Appropriations	$210	$370	$385	$365	$281	[5] $271

[1] Nondemonstration program. Includes data for only 36 jurisdictions. As noted above, by the end of fiscal year 1983, 20 jurisdictions had taken the option to operate WIN demonstration projects. These WIN demonstration States are under the supervision of the Department of Health and Human Services, rather than the Department of Labor, and do not have the same reporting requirements that exist under the regular WIN program. Data for the full (demonstration and nondemonstration) program for fiscal year 1983 are not yet available. States operating demonstration projects received a total of $83.9 million in Federal grants in 1983. States operating under the regular WIN program received a total of $145.6 million in that same fiscal year.

[2] Numbers do not total; some individuals have both part-time and full-time jobs.

[3] Totals may not equal the sum of the components, due to rounding.

[4] Department of Labor estimates. A new estimating procedure was adopted for fiscal year 1983, using recommendations of the GAO to avoid certain duplications.

[5] Full program (demonstration and nondemonstration).

Source: Data provided by U.S. Department of Labor; table compiled by Congressional Research Service.

TABLE 20.—WIN REGISTRANTS AND JOB ENTRANTS BY SELECTED CHARACTERISTICS, FISCAL YEARS 1977, 1982, and 1983

[In percent]

Characteristic	1977		1982		1983[1]	
	Registrants	Job entrants	Registrants	Job entrants	Registrants	Job entrants
Total	100.0	100.0	100.0	100.0	100.0	100.0
Sex:						
Male (total)[2]	27.4	37.8	28.2	33.5	30.2	37.5
(Unemployed fathers)	[3] NA	NA	(15.8)	(22.0)	(20.0)	(26.3)
Female	72.6	62.2	71.7	66.5	69.8	62.5
Ethnic group:						
White	55.4	67.6	44.5	55.2	43.9	57.0
Black	39.0	28.9	37.5	28.9	31.6	24.3
Hispanic[4]					17.2	14.1
Other	5.6	3.5	17.9	15.9	7.3	4.6
Years of school completed:						
0 to 8 years	[5] 10.5	[5] 6.2	16.4	10.7	15.5	8.7
9 to 11 years	[6] 48.7	[6] 44.8	38.0	33.1	35.9	31.1
12 years	33.1	39.1	35.5	42.7	37.3	44.8
Over 12 years	7.7	9.9	10.1	13.5	11.3	15.4
Age:						
Under 22 years	15.7	15.2	12.9	10.6	13.0	10.3

TABLE 20.—WIN REGISTRANTS AND JOB ENTRANTS BY SELECTED CHARACTERISTICS, FISCAL YEARS 1977, 1982, and 1983—Continued

[In percent]

Characteristic	1977		1982		1983 [1]	
	Registrants	Job entrants	Registrants	Job entrants	Registrants	Job entrants
22 to 44 years	[7] 62.0	[7] 69.4	75.3	82.3	76.2	83.4
45 years and over	[8] 22.3	[8] 15.4	11.8	7.1	10.8	6.3
Registrant status:						
Mandatory	79.0	82.6	88.1	83.8	91.5	89.0
Voluntary	21.0	17.4	11.9	16.2	8.5	11.0

[1] Nondemonstration program. Includes data for only 36 jurisdictions. As noted above, by the end of fiscal year 1983, 20 jurisdictions had taken the option to operate WIN demonstration projects. Comparable data for demonstration States are not available.

[2] Includes male heads of single-parent households, unemployed fathers, and other males, most of them youth (under 22 years of age) who are recipient members of AFDC families.

[3] Not available.

[4] Separate data for Hispanic not available prior to 1983.

[5] 1977 data includes up to 7 years of school completed.

[6] 1977 data includes 8 through 11 years of school completed.

[7] 1977 data includes ages 22 through 39.

[8] 1977 data includes ages 40 and over.

Source: U.S. Departments of Labor and Health, Education, and Welfare. WIN: 1968–78, A Report at 10 Years. The Work Incentive Program. Ninth Annual Report to Congress. June 1979, Washington, 1979. p. 20; and based on conversations with DOL staff.

TABLE 21.—WIN PARTICIPANTS PLACED IN EMPLOYMENT AND RETAINED 30 DAYS OR MORE, FISCAL YEARS 1977, 1981, 1982, AND 1983

	1977	1981	1982	1983 [1]
Expected	272,006	310,303	192,797	124,440
Retention rate	76.8	88.8	89.1	[2] 68.5
Number employed, off welfare	136,500	164,972	145,975	69,714
Percent of total who entered employment	50.2	53.2	75.7	56.0

[1] Nondemonstration program. Includes data for only 36 jurisdictions.

[2] Uses 6 month refined retention rate, as recommended by GAO. Prior years use 30-day retention rate.

Source: U.S. Department of Labor.

Job search

The act permits States to require AFDC applicants and recipients to participate in a program of employment search beginning at the time of application. After an initial 8-week search period for applicants, AFDC recipients may be required to participate in 8 weeks of job search each year. This means that in the first year, up to 16 weeks of employment search may be required, with 8 weeks per year thereafter.

All WIN registrants (and applicants who appear to be WIN eligible) may be required to participate in the job search program. At State option the job search requirement may be limited to certain groups or classes of individuals who are required to register for WIN. Transportation and other necessary costs incurred by participants must be reimbursed; States receive 50 percent Federal matching funds for these costs and may not use the job search requirement as a reason for delaying eligibility determinations or payments to those who are otherwise eligible. An individual who fails to comply with the job search requirement is subject to the sanctions described for the WIN program. Table 22 list the States that have elected to require job search.

Community work experience program

Under authority granted by the Omnibus Budget Reconciliation Act of 1981, States may operate community work experience programs (CWEP) if they so choose. These programs are commonly referred to as "workfare" and require adult AFDC recipients to perform some sort of community work, such as park beautification or as a teacher aide, in exchange for the AFDC benefit. The individual does not become a paid employee but, instead, works off the AFDC benefit. The number of hours a person works is equal to their AFDC grant divided by the applicable minimum wage. CWEP participants do not receive the earned income disregards.

States may require CWEP participation by any AFDC recipient who is registered for WIN. However, unlike WIN, which exempts parents with children under the age of 6 from the work requirement, CWEP may require parents caring for children under age 6 (but not under age 3) to participate if child care is available. As of December 31, 1983, 23 States had opted to implement some kind of community work experience program; one State is planning to implement CWEP in 1984. Most State workfare programs are not statewide. Table 22 identifies the States with a CWEP program.

Work supplementation and grant diversion

Finally, the Omnibus Budget Reconciliation Act of 1981 also permits States to operate work supplementation programs, in which AFDC may be used to subsidize a job for an AFDC recipient. Under a work supplementation program, States may set their own eligibility requirements, adjust need standards and may operate the program without regard to the regular statewideness and earned income disregard rules. Funds accrued from reducing the need standard or revising the earned income disregards may be used to help defray the costs of subsidizing employment opportunities. However, the Act limits Federal funding for an AFDC program which includes a work supplementation component to that which would be available to a State under its May 1981 State plan, adjusted for mandatory changes in Federal law and caseload changes within the State. Because of this restriction and the requirement that work supplementation jobs be limited to public or nonprofit organizations, States have not elected this option.

Instead, a number of States have requested and received waivers, under section 1115 of the Act, which permit them to operate a similar program called grant diversion. In a grant diversion program, States may use the AFDC benefit as a wage subsidy to encourage employers to hire AFDC recipients. Private, for-profit employers may participate in grant diversion. The wage subsidy is for a limited period, usually no more than 6 months. In 1984, six States are operating grant diversion programs under this special authority (and without the funding limitations of a work supplementation program). Table 23 summarizes the State grant diversion programs.

TABLE 22.—STATE PARTICIPATION IN OPTIONAL AFDC WORK PROGRAMS

[Data as of Dec. 31, 1983]

State	Date WIN demonstration implemented	CWEP	IV–A job search
Alabama		Implemented in 1 county April 1982.	
Arizona	June 1, 1982		
Arkansas	Sept. 30, 1982	Implemented in 1 county September 1982; terminated July 1983—Now WIN Demo.	
California		Implemented [1] in 1 county July 1982.	
Colorado		Implemented in 1 county October 1982; now operating in 16 counties.	
Delaware	Apr. 1, 1982		
Florida	Apr. 1, 1982		Implementation planned for January 1984.
Georgia		Implemented in 10 counties August 1982; now operating in 11 counties.	
Idaho		Implemented in January 1982: statewide since April 1982.	
Illinois	July 1, 1982	Planned for 12 counties in January 1984.	
Iowa	Sept. 30, 1983	Implemented for regular AFDC cases in 5 counties July 1982; currently operating in 48 counties for UP cases.	
Kansas		Implemented in 4 counties May 1983.	Implemented for recipients only May 1983.
Kentucky		Implemented in 2 counties September 1982; phased out December 1982; implemented in 8 counties August 1983.	
Maine	Apr. 1, 1982		Implemented for recipients only January 1983.
Maryland	Sept. 30, 1982		
Massachusetts	Apr. 12, 1982		Implemented for applicants and recipients in 16 counties October 1982.
Michigan	Apr. 1, 1982	Implemented July 1982; now operating statewide.	
Minnesota		In 3 counties March 1983; now operating in 7 counties; additional counties planned for fiscal year 1984.	
Nebraska	Sept. 30, 1982		
New Jersey	Oct. 1, 1982		
New Mexico		Implemented [1] in 1 county March 1983.	
New York		Approved [1] January 1982; now operating in 19 counties and in New York City.	

TABLE 22.—STATE PARTICIPATION IN OPTIONAL AFDC WORK PROGRAMS—Continued

[Data as of Dec. 31, 1983]

State	Date WIN demonstration implemented	CWEP	IV–A job search
North Carolina		Implemented [1] in 6 counties July 1982; now operating in 7 counties.	
North Dakota		Implemented in 2 counties January 1982; now operating in 6 counties.	
Ohio		Implemented [1] in 4 counties March 1983; now operating in 5 counties.	Implemented for recipients only in 4 counties March 1983; now operating in 5 counties.
Oklahoma	Jan. 1, 1982	Implemented statewide January 1982.	Implemented statewide for applicants and recipients April 1983.
Oregon	Jan. 1, 1982		Operating program with waivers.
Pennsylvania	Sept. 30, 1982	Implemented [1] statewide March 1983 as part of WIN demonstration.	
South Carolina		Implemented [1] in 2 counties May 1982.	
South Dakota	Apr. 1, 1982	Approved April 1982 and implemented in 40 counties; now operating statewide.	
Texas	Mar. 4, 1982		Implemented April 1983 for applicants and recipients.
Vermont			Implementation planned for UP applicants only in fiscal year 1984.
Virginia	Jan. 1, 1983	Implemented [1] statewide January 1983 as part of WIN Demonstration.	Implemented statewide January 1983 for applicants and recipients.
Washington		Implemented [1] in 2 counties June 1982.	Now operating statewide for applicants and recipients.
West Virginia	Sept. 27, 1982	Implemented [1] statewide for UP's January 1982; now operating statewide for UP and regular AFDC recipients as part of WIN demonstration.	
Wisconsin	Sept. 30, 1983.		

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[1] Denotes CWEP demonstration.

Source: Office of Family Assistance, Social Security Administration.

TABLE 23.—STATE PARTICIPATION IN GRANT DIVERSION DEMONSTRATION PROJECTS

	AFDC for family of 3, 1980	Wage subsidy	Duration	Basis for subsidy/duration	Voluntary/mandatory	Location	Number participants 3 years
Arizona	$244	30 percent nte $180	6 months maximum	Flat 30 percent nte $180.	Mandatory	Statewide	2,750
Florida	230	33 percent AFDC; 50 percent JTPA; 83 percent total.	6 months average (up to 1 yr.).	Flat 50 percent JTPA flat amount AFDC ($190); duration—DOT code.	Mandatory	Statewide	3,000
Maine	352	50 percent	6 months maximum	Flat 50 percent duration may vary.	Recipient/option mandatory.	Statewide	590
New Jersey	414	50 percent	5 months average (6 mos. max.).	Flat 50 percent duration may vary.	Recipient/option mandatory.	5 counties	1,500
Texas	140	25 percent	2 months work experience; 4 months grant diversion.	Flat amount ($148); duration may vary.	Voluntary	4 counties	4,190
Vermont	553	50 percent	6 months	Flat 50 percent nte $2,400 duration fixed.	Voluntary	Statewide	600

nte—Not to exceed.

Source: Office of Family Assistance, Social Security Administration.

Section 9. Child Support Enforcement Program

BACKGROUND

The enactment of the child support enforcement (CSE) program in 1975 represented a major new commitment on the part of the Congress to address the problem of nonsupport of children. Although prior to that time the Social Security Act had included provisions which were aimed at improving the collection of support on behalf of children with absent parents, these provisions had not proved to be effective. The 1975 amendments were aimed at strengthening in a very significant way the efforts of the Federal and State governments to improve the enforcement of child support obligations.

The 1975 legislation (Public Law 93-647) added a new part D to title IV of the Social Security Act. The statute authorizes Federal matching funds to be used for enforcing the support obligations owed by absent parents to their children and the spouse (or former spouse) with whom the children are living, locating absent parents, establishing paternity, and obtaining child and spousal support. Basic responsibility for administering the program is left to the States, but the Federal Government also plays a major role in funding, monitoring and evaluating State programs, providing technical assistance, and in certain instances, in undertaking to give direct assistance to the States in locating absent parents and obtaining support payments from them. The program requires the provision of child support enforcement services for both welfare and nonwelfare families.

WHO IS SERVED

Each State's plan must provide that the child support agency will undertake to secure support for an AFDC child whose rights to support have been assigned to the State. This includes nearly all AFDC children, since assignment of rights to support is a condition of eligibility for AFDC benefits. The State must also provide in its plan that it will undertake to establish the paternity of an AFDC child who is born out of wedlock. These requirements apply in all cases except where, in accordance with standards established by the Secretary, the State finds that to apply them would be against the best interests of the child.

With respect to non-AFDC families, the law provides that the State must make available, upon application filed with the State agency, the child support collection and paternity determination services which are provided under the plan for AFDC families. The State is allowed to charge non-AFDC families an application fee. The fee must be reasonable, as determined under regulations of the Secretary. (Currently the maximum allowable fee is $20, unless the

State has a fee schedule based on each applicant's income. In the latter case, the schedule must be designed so as not to discourage applications by those most in need of services.) In addition, a State may at its option recover costs in excess of the fee. Such recovery may be from either the custodial parent or the absent parent. If a State chooses to make recovery from the custodial parent, it must have in effect a procedure whereby all persons in the State who have authority to order support are informed that such costs are to be collected from the custodial parent.

FEDERAL ADMINISTRATIVE STRUCTURE AND FUNCTIONS

The Federal statute provides that the child support program must be administered by a separate organizational unit under the control of a person designated by and reporting directly to the Secretary of Health and Human Services. Under the present organizational structure of the Department, the Commissioner of Social Security is the Director of the Federal Office of Child Support Enforcement (OCSE).

A primary responsibility of the director is to establish such standards for State programs for locating absent parents, establishing paternity, and obtaining child support and support for the spouse (or former spouse) with whom the absent parent's child is living as he determines to be necessary to assure that the programs will be effective. In addition to this broad statutory mandate, the director is required to establish minimum organizational and staffing requirements for State child support agencies, and to review and approve State plans. The statute also requires the director of the OCSE to provide technical assistance to the States to help them establish effective systems for collecting child and spousal support and establishing paternity. To fulfill this requirement, the OCSE has established a National Child Support Enforcement Reference Center as a central location for the collection and dissemination of information about State and local programs. It has created a National Institute for Child Support Enforcement to provide training and technical assistance to persons working in the field of child support enforcement. Special initiatives, such as a recent initiative to assist major urban areas in improving program performance, have also been undertaken by the OCSE.

The director of the OCSE has full responsibility for program evaluation. The statute requires him to conduct an annual audit of each State's program to determine whether the actual operation of the program conforms to Federal requirements. He must impose a penalty if he finds noncompliance. The penalty for noncompliance is a reduction of 5 percent in the Federal matching that would otherwise be payable to the State under the aid to families with dependent children (AFDC) program. This penalty has never been imposed. Legislation has been enacted periodically to suspend its implementation.

FEDERAL ENFORCEMENT TOOLS

The statute creates several Federal mechanisms to assist the States in performing their paternity and child support enforcement functions. These include use of the Internal Revenue Service, the Federal courts, and the Federal Parent Locator Service (FPLS).

The statute requires the Secretary of HHS, upon the request of a State, to certify to the Secretary of Treasury for collection by the IRS any amounts identified by the State as representing delinquent child support payments. The Secretary may certify only the amounts delinquent under a court or administrative order, and only upon a showing by the State that it has made diligent and reasonable efforts to collect amounts due using its own collection mechanisms. States must reimburse the Federal Government for any costs involved in making the collections. Collections may be made on behalf of both AFDC and non-AFDC families. Use by the States of this regular IRS collection mechanism (which may include seizure by the IRS of property, freezing of accounts, and other procedures) has been relatively infrequent. In fiscal year 1983, collections were made in only 1,322 cases nationwide, for a total collection of $592,347.

The availability of the IRS collection mechanism for child support was amplified in amendments enacted as part of the Omnibus Budget Reconciliation Act of 1981 (Public Law 97-35) to allow, in addition, the collection of past support from Federal tax refunds upon a simple showing by the State agency that an individual owes past-due support which has been assigned to the State as a condition of AFDC eligibility. Upon receiving this showing, the Secretary of Treasury is required to withhold from any tax refunds due that individual an amount equal to any past-due support. The withheld amount is sent to the State agency, together with notice of the taxpayer's current address. In fiscal year 1983, a total of 338,995 cases were offset, resulting in child support collections in excess of $176 million.

States also may have access to the Federal courts to enforce court orders for support. The director of the Office of Child Support Enforcement must approve a State's application for permission to use the courts of the United States to enforce court orders for support upon a finding that (1) another State has not undertaken to enforce the court order of the originating State against an absent parent within a reasonable time, and (2) that use of the Federal courts is the only reasonable method of enforcing such order. This mechanism, designed to assist the States in enforcing interstate cases, has gone unused, apparently because the States view it as costly and complex.

Finally, the statute also requires the establishment of a Federal Parent Locator Service to be used to find absent parents in order to enforce child support obligations. Upon request, the Secretary of HHS must provide to an authorized person the most recent address and place of employment of any absent parent if the information is contained in the records of the Department of Health and Human Services, or can be obtained from any other department or agency of the United States or of any State. States must show that the absent parent cannot be located through procedures under the control of the State child support agency before the Federal PLS may be used. The Secretary must also make available the services of the PLS to any State that wishes to locate an absent parent or child for the purpose of enforcing any Federal or State law with respect to the unlawful taking or restraint of a child, or making or enforcing a child custody determination.

STATE ADMINISTRATIVE STRUCTURE AND FUNCTIONS

Each State is required to designate a single and separate organizational unit of State government to administer the program. Earlier child support legislation, enacted in 1967, had required that the program be administered by the welfare agency. The 1975 act deleted this requirement in order to give each State the opportunity to select the most effective administrative mechanism. Most States have placed the child support agency within the social or human services umbrella agency which also administers the AFDC program. However, two States have placed the agency in the department of revenue. The law allows the programs to be administered either on the State or local level. Eight programs are locally administered. A few programs are State administered in some counties and locally administered in others.

States must have plans, approved by the director of the OCSE, which set forth their functions and responsibilities. States must serve both AFDC and non-AFDC families. They must enter into cooperative arrangements with appropriate courts and law enforcement officials to assist the child support agency in administering the program. These agreements may include provision for reimbursing courts and law enforcement officials for their assistance. States must operate a parent locator service to locate absent parents, and they must maintain full records of collections and disbursements, and otherwise maintain an adequate reporting system.

In order to facilitate the collection of support in interstate cases, a State must cooperate with other States in establishing paternity, locating absent parents, and in securing compliance with an order issued by another State.

Present law requires the States to use two enforcement tools. They must use the IRS tax refund offset procedure for AFDC families, and they must also determine periodically whether any individuals receiving unemployment compensation owe child support obligations. The State employment security agency is required to withhold unemployment benefits, and to pay the child support agency any outstanding child support obligations established by an agreement with the individual or through legal processes.

Finally, the statute requires each State to comply with any other requirements and standards that the Secretary determines to be necessary to the establishment of an effective child support program.

FEDERAL GARNISHMENT AND MILITARY ALLOTMENT PROVISIONS

Title IV-D of the Social Security Act also includes a provision allowing garnishment of wages and other payments made by the Federal Government for enforcement of child support and alimony obligations. The statute provides that moneys (the entitlement to which is based upon remuneration for employment) payable by the United States to any individual are subject to legal process brought for the enforcement against such individual of his legal obligation to provide child support or make alimony payments. The law sets forth in detail the procedures which must be followed for service of legal process, and specifies that the term "based upon remuneration for employment" includes wages, periodic benefits for the payment of pensions, retirement or retired pay (including social security and other retirement benefits), and other kinds of Federal payments.

As amended by Public Law 97-248, the law presently requires allotments from the pay and allowances of any member of the uniformed service (on active duty) when he fails to make child (or child and spousal) support payments. The requirement arises when the servicemember fails to make support payments in an amount at least equal to the value of 2 months' worth of support. Provisions of the Consumer Credit Protection Act apply so that the percentage of the member's pay which is subject to allotment is limited. The amount of the allotment is the amount of the support payment, as established under a legally enforceable administrative or judicial order.

FINANCING

The Federal Government pays 70 percent of State and local administrative costs for services to both AFDC and non-AFDC families on an open-end entitlement basis. The matching rate was reduced from 75 to 70 percent by a provision in Public Law 97-248. Funding for services to non-AFDC families was originally enacted on a temporary basis, but was made permanent in Public Law 96-272.

In addition, 90 percent Federal matching is available on an open-end entitlement basis to States that elect to establish an automatic data processing and information retrieval system. The Secretary must approve the system as meeting specified criteria before matching may be paid to the State. The matching rate was increased from 75 to 90 percent in Public Law 96-265.

Collections made on behalf of AFDC families are used to offset the cost to the Federal and State governments of welfare payments made to the family. The amounts retained by the government are distributed between the Federal and State governments according to the proportional matching share which each has under a State's AFDC program.

Finally, as an incentive to encourage State and local governments to participate in the program, the law provides for a payment equal to 12 percent of collections made on behalf of AFDC families. These incentive payments are deducted from the Federal share of collections. The amount of the incentive payment was reduced from 15 percent, effective October 1, 1983, by Public Law 96-248

PROGRAM TRENDS

The child support enforcement program has grown significantly since its implementation in August 1975. From fiscal year 1976 through fiscal year 1983, more than $10.8 billion in child support payments have been collected: $4.7 billion on behalf of families receiving AFDC, and $6.1 billion on behalf of non-AFDC families.

In fiscal year 1983, collections on behalf of AFDC families reached $880 million; collections on behalf of non-AFDC families reached $1.147 billion. Total administrative expenditures were about $691 million, resulting in $2.93 collected per dollar of total administrative expenses. In fiscal year 1983, the number of parents located totaled 833,000, and the number of paternities established reached 204,000. Both were an increase of 84 percent over 1978. The number of AFDC and non-AFDC cases in which a collection was made also continued to grow, as did the dollar amount of collections. Tables 1-16 present data showing the development of the child support program in recent years.

PENDING LEGISLATION

During the first session of the 98th Congress, the Subcommittee on Public Assistance and Unemployment Compensation held hearings on the child support enforcement program. The subcommittee subsequently referred to the full committee H.R. 4325, the Child Support Enforcement Amendments of 1983. This bill, as amended, was reported to the House on November 10, 1983, and passed the House by a vote of 422-0 on November 16. The bill is currently pending in the Senate.

The House bill is generally aimed at improving child support enforcement services for both AFDC and non-AFDC families. It imposes requirements on the States to adopt enforcement procedures which have been found to be effective, and it revises the Federal incentive payment formula to encourage expansion of services on behalf of non-AFDC families. The new formula is also structured to reward States that operate their programs on a cost-effective basis. For a description of the bill, see Report No. 98-527.

LEGISLATIVE CHANGES IN THE 97TH CONGRESS

The 97th Congress enacted child support legislation in 1981 and 1982 which had the effect of reducing Federal outlays, as shown below. Estimates for savings were made by the Congressional Budget Office.

Changes included in the Omnibus Budget Reconciliation Act of 1981 (Public Law 97-35) are:

[In millions of dollars]

Provision	Fiscal year—				
	1982	1983	1984	1985	1986
Collection of past-due child and spousal support from Federal tax refunds	−55	−70	−75	−75	−75
Collection of support for certain spouses	−20	−20	−20	−20	−20
Require absent parents to pay fee for services to non-AFDC families	0	0	0	0	0
Child support obligations owed on behalf of AFDC families not discharged in bankruptcy	−15	−18	−23	−29	−36
Require States to intercept unemployment benefits to enforce child support obligations	−17	−17	−17	−17	−17
Total	−107	−125	−135	−141	−148

Changes included in the Tax Equity and Fiscal Responsibility Act of 1983 (Public Law 97-248) are:

[In millions of dollars]

Provision	Fiscal year—				
	1983	1984	1985	1986	1987
Give States the option of imposing a fee for services to non-AFDC families	−12	−16	−11	−13	−14
Require allotments from pay for support owed by members of the uniformed services	−7	−9	−10	−10	−10
Reimbursement of State agency in initial month of ineligibility for AFDC	−3	−4	−4	−5	−5
Reduce Federal incentive payments and Federal matching percentage	−40	−91	−101	−111	−116
Total	−62	−120	−126	−139	−145

TABLE 1.—PROGRAM OPERATIONS, SUMMARY OF NATIONAL STATISTICS, FISCAL YEARS 1978–1983

[Numbers in thousands]

	1978	1979	1980	1981	1982	1983	Percent change
Total child support collections	$1,046,690	$1,333,259	$1,477,575	$1,628,894	$1,771,482	$2,027,729	+93
Total AFDC collections	$471,567	$596,626	$603,084	$670,638	$787,318	$880,275	+86
Total non-AFDC collections	$575,123	$736,633	$874,491	$958,257	$984,164	$1,147,454	+98
Total administrative expenditures	$312,339	$359,860	$449,513	$512,531	$592,368	$691,118	+121
Federal incentive payments to States and localities	$54,096	$66,636	$72,443	$90,936	$106,638	$120,725	+123
Average number of AFDC cases in which a collection was made	458	463	503	548	562	587	+28
Average number of non-AFDC cases in which a collection was made	249	224	247	331	447	501	+102
Number of families removed from AFDC due to child support collections	19	25	40	46	32	(1)	....
Number of parents located	454	574	642	696	782	833	+84
Number of paternities established	111	138	144	164	174	204	+84
Number of support obligations established	315	349	374	415	469	492	+56
Percent of AFDC assistance payments recovered through child support collections	(1)	5.8	5.5	5.7	6.8	(1)	....
Total child support collections per dollar of total administrative expenses	$3.35	$3.70	$3.29	$3.18	$2.99	$2.93	−13

[1] Not available.

Source: Office of Child Support Enforcement.

TABLE 2.—STATE PROFILE OF COLLECTIONS AND EXPENDITURES, FISCAL YEAR 1983

[In thousands of dollars]

State	Total collections	AFDC collections	Non-AFDC collections	Total expenditures
Alabama	8,643	7,789	854	9,164
Alaska	9,704	1,780	7,924	4,028
Arizona	10,563	1,459	9,104	5,967
Arkansas	7,401	4,593	2,808	4,676
California	254,586	136,963	117,623	127,171
Colorado	17,178	9,330	7,848	7,987
Connecticut	39,227	20,628	18,599	11,899
Delaware	8,097	2,276	5,821	2,807
District of Columbia	3,521	2,421	1,100	4,978
Florida	19,080	10,408	8,672	15,928
Georgia	13,439	11,355	2,084	8,216
Guam	391	259	131	315
Hawaii	10,087	4,482	5,605	3,705
Idaho	4,696	3,812	884	2,157
Illinois	32,025	18,971	13,054	16,320
Indiana	20,757	17,615	3,142	6,799
Iowa	29,185	19,484	9,701	5,930
Kansas	9,924	7,810	2,114	5,236
Kentucky	19,711	6,325	13,387	7,675
Louisiana	26,477	9,653	16,824	12,861
Maine	10,235	8,402	1,833	3,056
Maryland	77,129	27,773	49,356	16,355
Massachusetts	72,319	40,476	31,844	19,794
Michigan	273,799	97,694	176,105	39,354
Minnesota	44,893	25,708	19,184	17,360
Mississippi	4,887	4,544	343	2,946
Missouri	18,118	11,500	6,618	9,140
Montana	2,415	1,834	582	1,181
Nebraska	20,324	3,959	16,365	3,546
Nevada	5,556	1,824	3,731	3,437
New Hampshire	14,179	2,667	11,512	2,256
New Jersey	143,225	41,103	102,122	36,082
New Mexico	4,614	2,891	1,722	3,248
New York	174,452	68,622	105,829	86,554
North Carolina	30,830	18,795	12,035	12,309
North Dakota	2,723	2,011	712	1,297
Ohio	34,862	33,403	1,459	19,824
Oklahoma	5,233	3,648	1,585	6,385
Oregon	37,676	12,727	24,949	11,026
Pennsylvania	285,829	47,135	238,694	42,962
Puerto Rico	31,985	917	31,068	3,332
Rhode Island	7,542	4,222	3,320	2,147
South Carolina	7,461	6,015	1,446	2,887
South Dakota	2,847	2,175	672	1,251
Tennessee	19,077	5,567	13,510	7,041
Texas	17,941	10,879	7,062	15,325
Utah	13,594	11,643	1,952	6,703
Vermont	2,831	2,629	202	961
Virgin Islands	684	140	544	315
Virginia	13,619	11,758	1,860	7,503
Washington	41,667	26,519	15,148	18,099
West Virginia	3,434	3,311	123	2,581
Wisconsin	56,041	39,582	16,459	20,661
Wyoming	1,017	790	227	381
U.S. total	2,027,729	880,275	1,147,454	691,118

Source: Office of Child Support Enforcement.

TABLE 3.—CHILD SUPPORT COLLECTIONS PER DOLLAR OF ADMINISTRATIVE EXPENDITURES, FISCAL YEAR 1983

State	Total collections/ total expenditures	AFDC collections/total expenditures	Non-AFDC collections/total expenditures
Alabama	$0.94	$0.85	$0.09
Alaska	2.41	.44	1.97
Arizona	1.77	.24	1.53
Arkansas	1.58	.98	.60
California	2.00	1.08	.92
Colorado	2.15	1.17	.98
Connecticut	3.30	1.73	1.56
Delaware	2.88	.81	2.07
District of Columbia	.71	.49	.22
Florida	1.20	.65	.54
Georgia	1.64	1.38	.25
Guam	1.24	.82	.42
Hawaii	2.72	1.21	1.51
Idaho	2.18	1.77	.41
Illinois	1.96	1.16	.80
Indiana	3.05	2.59	.46
Iowa	4.92	3.29	1.64
Kansas	1.90	1.49	.40
Kentucky	2.57	.82	1.74
Louisiana	2.06	.75	1.31
Maine	3.35	2.75	.60
Maryland	4.72	1.70	3.02
Massachusetts	3.65	2.04	1.61
Michigan	6.96	2.48	4.47
Minnesota	2.59	1.48	1.11
Mississippi	1.66	1.54	.12
Missouri	1.98	1.26	.72
Montana	2.04	1.55	.49
Nebraska	5.73	1.12	4.62
Nevada	1.62	.53	1.09
New Hampshire	6.29	1.18	5.10
New Jersey	3.97	1.14	2.83
New Mexico	1.42	.89	.53
New York	2.02	.79	1.22
North Carolina	2.50	1.53	.98
North Dakota	2.10	1.55	.55
Ohio	1.76	1.68	.07
Oklahoma	.82	.57	.25
Oregon	3.42	1.15	2.26
Pennsylvania	6.65	1.10	5.56
Puerto Rico	9.60	.28	9.32
Rhode Island	3.51	1.97	1.55
South Carolina	2.58	2.08	.50
South Dakota	2.28	1.74	.54
Tennessee	2.71	.79	1.92
Texas	1.17	.71	.46
Utah	2.03	1.74	.29
Vermont	2.95	2.74	.21
Virgin Islands	2.17	.44	1.73
Virginia	1.82	1.57	.25
Washington	2.30	1.47	.84
West Virginia	1.33	1.28	.05
Wisconsin	2.71	1.92	.80
Wyoming	2.66	2.07	.60
U.S. total	2.93	1.27	1.66

Source: Office of Child Support Enforcement.

TABLE 4.—TOTAL CHILD SUPPORT COLLECTIONS, FISCAL YEARS 1980–1983

[In thousands of dollars]

State	1980	1981	1982	1983
Alabama	6,573	5,021	8,060	8,643
Alaska	4,665	5,932	7,388	9,704
Arizona	7,073	8,755	10,421	10,563
Arkansas	4,568	4,856	5,553	7,401
California	194,793	201,426	247,023	254,586
Colorado	5,916	12,302	16,938	17,178
Connecticut	25,994	29,602	37,078	39,227
Delaware	6,460	6,945	7,383	8,097
District of Columbia	1,654	1,909	2,574	3,521
Florida	12,326	16,932	20,274	19,080
Georgia	6,480	8,304	9,500	13,439
Guam	104	149	259	391
Hawaii	6,951	7,547	8,224	10,087
Idaho	2,915	3,277	4,199	4,696
Illinois	12,447	13,943	21,599	32,025
Indiana	10,612	12,339	14,589	20,757
Iowa	16,037	21,488	26,809	29,185
Kansas	5,359	6,908	9,622	9,924
Kentucky	14,713	14,732	14,647	19,711
Louisiana	15,066	17,833	22,320	26,477
Maine	4,945	5,677	7,465	10,235
Maryland	26,398	35,193	55,830	77,129
Massachusetts	42,812	52,955	63,612	72,319
Michigan	290,152	305,396	240,438	273,799
Minnesota	24,898	29,988	37,834	44,893
Mississippi	2,128	2,510	2,691	4,387
Missouri	9,736	12,364	18,589	18,118
Montana	1,514	1,698	1,750	2,415
Nebraska	2,941	10,832	17,124	20,324
Nevada	3,076	4,011	4,712	5,556
New Hampshire	2,233	2,336	5,229	14,179
New Jersey	102,552	104,853	130,493	143,225
New Mexico	2.041	2,748	3,471	4,614
New York	145,014	141,670	151,802	174,452
North Carolina	11,444	17,196	22,267	30,830
North Dakota	1,667	1,936	2,312	2,723
Ohio	26,452	31,467	30,954	34,862
Oklahoma	2,234	3,224	3,896	5,233
Oregon	96,495	105,670	47,323	37,676
Pennsylvania	198,998	222,548	255,481	285,829
Puerto Rico	2,215	2,459	17,372	31,985
Rhode Island	3,727	3,772	5,381	7,542
South Carolina	4,505	5,323	6,153	7,461
South Dakota	1,634	1,768	2,122	2,847
Tennessee	11,143	10,145	17,491	19,077
Texas	9,877	11,633	13,841	17,941
Utah	7,427	9,710	11,948	13,594
Vermont	1,773	2,200	3,258	2,831
Virginia	8,749	9,904	12,230	13,619
Virgin Islands	346	429	657	684
Washington	28,298	31,756	36,627	41,667
West Virginia	1,976	2,349	2,637	3,434
Wisconsin	36,803	42,195	43,152	56,041
Wyoming	668	781	877	1,017
Nationwide total	1,477,575	1,628,894	1,771,482	2,027,729

Source: Office of Child Support Enforcement.

TABLE 5.—TOTAL AFDC COLLECTIONS, FISCAL YEARS 1980–1983

[In thousands of dollars]

State	1980	1981	1982	1983
Alabama	6,572	5,021	8,060	7,789
Alaska	588	772	1,048	1,780
Arizona	926	1,221	1,250	1,459
Arkansas	2,388	2,684	3,032	4,593
California	95,127	100,437	136,394	136,963
Colorado	3,742	4,505	5,990	9,330
Connecticut	13,163	15,684	21,308	20,628
Delaware	1,700	2,001	1,958	2,276
District of Columbia	1,286	1,379	1,813	2,421
Florida	10,772	12,289	14,286	10,408
Georgia	5,720	7,441	8,107	11,355
Guam	103	117	165	259
Hawaii	2,853	3,128	3,345	4,482
Idaho	2,309	2,659	3,433	3,812
Illinois	11,271	12,347	17,015	18,971
Indiana	9,163	10,129	11,650	17,615
Iowa	12,774	15,218	18,114	19,484
Kansas	4,357	5,279	7,787	7,810
Kentucky	3,924	4,314	3,752	6,325
Louisiana	6,719	7,429	9,301	9,653
Maine	4,354	4,732	5,991	8,402
Maryland	13,153	15,912	16,317	27,773
Massachusetts	31,191	38,243	40,368	40,476
Michigan	77,595	87,304	101,339	97,694
Minnesota	16,269	20,290	23,125	25,708
Mississippi	1,956	2,284	2,396	4,544
Missouri	4,998	6,423	12,437	11,500
Montana	821	1,039	1,237	1,834
Nebraska	2,470	3,022	3,176	3,959
Nevada	685	879	1,510	1,824
New Hampshire	2,154	2,220	2,303	2,677
New Jersey	30,687	31,985	33,606	41,103
New Mexico	1,409	1,907	2,218	2,892
New York	48,694	47,790	54,632	68,622
North Carolina	9,414	11,774	12,795	18,795
North Dakota	1,325	1,542	1,763	2,011
Ohio	25,548	30,494	30,082	33,403
Oklahoma	1,524	2,254	2,607	3,648
Oregon	14,142	13,305	16,599	12,727
Pennsylvania	33,434	37,381	40,586	47,135
Puerto Rico	626	717	675	917
Rhode Island	3,581	3,624	3,869	4,222
South Carolina	3,775	4,437	4,712	6,015
South Dakota	1,264	1,225	1,432	2,175
Tennessee	4,167	3,519	5,901	5,567
Texas	7,155	8,309	6,869	10,879
Utah	6,111	8,133	10,065	11,643
Vermont	1,498	1,940	3,039	2,629
Virginia	8,264	8,737	10,398	11,758
Virgin Islands	131	150	179	140
Washington	18,128	19,244	22,160	26,519
West Virginia	1,843	2,201	2,488	3,311
Wisconsin	28,792	33,029	32,020	39,582
Wyoming	471	536	619	790
Nationwide total	603,084	670,638	787,318	880,275

Source: Office of Child Support Enforcement.

TABLE 6.—TOTAL NON-AFDC COLLECTIONS, FISCAL YEARS 1980–1983

[In thousands of dollars]

State	1980	1981	1982	1983
Alabama	(1)	(1)	(1)	(1)
Alaska	4,077	5,159	6,340	7,924
Arizona	6,147	7,534	9,171	9,104
Arkansas	2,180	2,172	2,521	2,808
California	99,666	100,989	110,630	117,623
Colorado	2,173	7,797	10,948	7,848
Connecticut	12,830	13,918	15,770	18,599
Delaware	4,760	4,943	5,426	5,821
District of Columbia	368	530	761	1,100
Florida	1,554	4,643	5,988	8,572
Georgia	759	863	1,393	2,084
Guam	(1)	32	95	131
Hawaii	4,098	4,420	4,879	5,605
Idaho	606	617	765	884
Illinois	1,176	1,596	4,585	13,054
Indiana	1,450	2,210	2,939	3,142
Iowa	3,262	6,270	8,696	9,701
Kansas	1,001	1,629	1,835	2,114
Kentucky	10,789	10,418	10,895	13,387
Louisiana	8,348	10,404	13,018	16,824
Maine	591	945	1,474	1,833
Maryland	13,246	19,281	39,513	49,356
Massachusetts	11,621	14,712	23,244	31,844
Michigan	212,557	218,092	139,099	176,105
Minnesota	8,629	9,698	14,709	19,184
Mississippi	172	226	295	343
Missouri	4,738	5,941	6,152	6,618
Montana	694	659	513	582
Nebraska	471	7,810	13,949	16,365
Nevada	2,390	3,132	3,202	3,731
New Hampshire	78	116	2,927	11,512
New Jersey	71,865	72,868	96,887	102,122
New Mexico	631	841	1,252	1,722
New York	96,320	93,880	97,171	105,829
North Carolina	2,029	5,422	9,472	12,035
North Dakota	342	394	549	712
Ohio	904	972	872	1,459
Oklahoma	710	970	1,289	1,585
Oregon	82,354	92,364	30,725	24,949
Pennsylvania	165,564	185,167	214,895	238,694
Puerto Rico	1,589	1,742	16,697	31,068
Rhode Island	146	148	1,512	3,320
South Carolina	730	886	1,441	1,446
South Dakota	370	543	690	672
Tennessee	6,976	6,626	11,591	13,510
Texas	2,722	3,325	6,973	7,062
Utah	1,317	1,577	1,883	1,952
Vermont	276	260	219	202
Virginia	484	1,167	1,832	1,860
Virgin Islands	215	278	479	544
Washington	10,170	12,512	14,467	15,148
West Virginia	133	147	149	123
Wisconsin	8,010	9,165	11,132	16,459
Wyoming	197	245	258	227
Nationwide total	874,491	958,257	984,164	1,147,454

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[1] Collections too small to show in thousands.

Source: Office of Child Support Enforcement.

TABLE 7.—ADMINISTRATIVE EXPENDITURES FOR THE CHILD SUPPORT ENFORCEMENT PROGRAM, FISCAL YEARS 1980–1983 [1]

[In thousands of dollars]

State	1980	1981	1982	1983
Alabama	5,370	5,637	7,148	9,164
Alaska	2,245	2,506	2,807	4,028
Arizona	3,125	2,774	2,660	5,967
Arkansas	3,011	3,410	4,755	4,676
California	86,226	95,941	108,967	127,171
Colorado	5,340	5,689	6,630	7,987
Connecticut	6,440	7,748	9,469	11,899
Delaware	1,011	2,512	2,127	2,807
District of Columbia	2,650	3,255	3,868	4,978
Florida	9,718	10,739	14,065	15,928
Georgia	4,201	4,793	7,084	8,216
Guam	143	161	234	315
Hawaii	1,363	1,981	1,732	3,705
Idaho	1,157	1,464	1,684	2,157
Illinois	10,421	13,432	16,728	16,320
Indiana	4,791	6,014	7,426	6,799
Iowa	4,766	5,814	6,101	5,930
Kansas	3,147	3,850	4,665	5,236
Kentucky	4,860	6,012	7,077	7,675
Louisiana	7,922	9,559	10,848	12,861
Maine	1,549	1,792	2,631	3,056
Maryland	9,955	12,787	14,142	16,355
Massachusetts	9,305	13,170	15,329	19,794
Michigan	26,362	30,330	36,211	39,354
Minnesota	10,949	12,814	14,610	17,360
Mississippi	1,740	1,976	2,432	2,946
Missouri	6,508	7,369	7,572	9,140
Montana	1,048	1,121	1,048	1,181
Nebraska	1,622	2,374	3,577	3,546
Nevada	2,114	2,654	2,654	3,437
New Hampshire	1,064	1,023	1,513	2,256
New Jersey	24,690	27,458	32,419	36,082
New Mexico	1,809	2,198	2,670	3,248
New York	60,434	63,555	70,472	86,554
North Carolina	7,334	8,639	11,217	12,309
North Dakota	787	1,024	1,210	1,297
Ohio	15,546	18,365	18,574	19,824
Oklahoma	3,784	4,916	6,151	6,385
Oregon	10,121	11,504	11,316	11,025
Pennsylvania	25,298	30,048	35,210	42,962
Puerto Rico	922	1,255	1,820	3,332
Rhode Island	1,273	1,590	1,973	2,147
South Carolina	1,789	1,809	2,441	2,887
South Dakota	982	1,026	1,155	1,251
Tennessee	4,507	4,702	5,590	7,041
Texas	14,090	14,613	16,645	15,325
Utah	4,155	4,982	5,496	6,703
Vermont	715	902	810	961
Virginia	6,194	7,043	7,683	7,503
Virgin Islands	445	306	284	315
Washington	10,868	11,770	13,004	18,099
West Virginia	1,933	2,412	2,961	2,581
Wisconsin	11,532	11,385	15,090	20,661
Wyoming	185	278	387	381
Nationwide total	449,513	512,531	592,368	691,118

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[1] Federal and State combined.

Source: Office of Child Support Enforcement.

TABLE 8.—AVERAGE NUMBER OF AFDC CHILD SUPPORT ENFORCEMENT CASES IN WHICH A COLLECTION WAS MADE, FISCAL YEARS 1978–1982

State	1978	1979	1980	1981	1982
Total	458,439	463,100	502,525	547,768	561,502
Alabama	7,966	21,489	20,155	18,398	18,675
Alaska	246	213	325	613	909
Arizona	819	906	1,025	1,094	1,018
Arkansas	2,509	2,641	2,808	3,019	3,090
California	92,325	76,460	80,428	87,030	[1] 87,659
Colorado	3,177	2,875	2,643	3,322	3,539
Connecticut	8,002	9,078	9,862	11,245	[2] 12,571
Delaware	1,156	1,704	1,718	2,313	1,691
District of Columbia	708	758	870	848	[2] 1,063
Florida	7,376	6,710	8,657	9,837	9,325
Georgia	6,350	6,023	6,346	7,360	6,946
Guam	([3])	([3])	112	102	131
Hawaii	1,757	1,869	2,125	2,319	2,272
Idaho	1,346	1,166	1,289	1,122	[2] 1,484
Illinois	9,624	10,348	11,901	13,718	[2] 14,611
Indiana	9,488	6,339	6,835	8,226	[4] 13,813
Iowa	8,396	9,684	8,805	11,245	8,887
Kansas	2,859	2,842	3,161	3,764	[2] 4,479
Kentucky	3,083	3,341	3,317	4,638	4,370
Louisiana	5,204	5,461	5,859	6,652	6,687
Maine	2,368	3,043	3,514	4,297	4,964
Maryland	14,002	12,840	13,304	15,063	14,481
Massachusetts	17,782	19,357	20,664	22,147	23,158
Michigan	61,985	66,270	69,134	70,851	68,266
Minnesota	9,818	9,145	11,935	13,854	12,752
Mississippi	1,846	2,033	2,432	2,757	2,765
Missouri	([3])	3,550	4,312	5,048	[2] 6,361
Montana	748	540	635	722	908
Nebraska	1,509	1,333	1,372	1,559	1,732
Nevada	494	492	952	1,977	2,013
New Hampshire	1,530	1,710	2,148	2,093	1,745
New Jersey	16,243	31,161	26,480	28,663	26,493
New Mexico	1,429	1,650	1,578	1,626	2,085
New York	36,287	37,914	37,593	36,450	[4] [5] 41,968
North Carolina	11,232	([3])	9,457	10,622	10,352
North Dakota	759	772	910	1,074	1,170
Ohio	24,419	20,456	21,383	26,097	24,519
Oklahoma	1,101	724	1,733	2,052	2,231
Oregon	6,761	6,771	6,715	6,330	4,399
Pennsylvania	15,172	13,376	17,207	[6] 22,406	[6] 29,970
Puerto Rico	413	636	1,466	2,044	1,880
Rhode Island	2,419	2,698	2,878	3,176	3,337
South Carolina	3,343	([3])	4,510	4,091	3,760
South Dakota	1,087	983	972	1,071	1,064
Tennessee	4,705	4,674	5,547	6,081	5,967
Texas	5,446	5,641	5,363	5,370	4,013
Utah	3,784	3,857	4,264	4,663	5,784
Vermont	953	1,057	1,222	1,778	1,972
Virgin Islands	232	145	136	114	123
Virginia	4,729	2,802	5,570	9,059	12,979
Washington	14,860	14,184	16,347	15,078	[7] 12,619
West Virginia	1,430	1,721	1,632	1,829	1,824
Wisconsin	16,868	21,391	20,603	20,514	20,281
Wyoming	294	267	316	347	347

[1] OCSE estimate, based on data submitted through time of publication.

[2] Increase due to impact of Federal Tax Refund Offset Program.

[3] Data not reported for this item or insufficient data reported to perform indicated computation.

[4] Indiana: Increase due to enlargement of State's total IV–D AFDC caseload.

[5] New York: Increase reflects unrealistically low average in fiscal year 1981, due to incomplete reporting by New York City.

[6] Pennsylvania: Increases due to greater number of counties reporting data and to more accurate data resulting from improved county ADP systems.

[7] Washington: Decrease due to change from estimated to actual case counts.

Source: Child Support Enforcement, 7th Annual Report to Congress for the Period Ending September 30, 1982.

TABLE 9.—AVERAGE NUMBER OF NON-AFDC CHILD SUPPORT ENFORCEMENT CASES IN WHICH A COLLECTION WAS MADE, FISCAL YEARS 1978–1982

State	1978	1979	1980	1981	1982
Total	248,590	224,434	246,585	331,097	447,264
Alabama	110	50	43	26	31
Alaska	2,309	2,008	1,876	1,967	2,451
Arizona	(1)	4,103	4,714	4,538	4,422
Arkansas	764	1,521	1,993	2,137	2,581
California	69,696	54,019	55,766	56,771	[2] 58,407
Colorado	1,017	780	1,010	2,963	4,069
Connecticut	(1)	(1)	(1)	(1)	(1)
Delaware	3,210	3,104	3,122	3,302	3,175
District of Columbia	93	43	138	200	370
Florida	1,200	2,101	1,071	1,941	[3] 4.025
Georgia	1,207	1,451	1,553	2,018	2,855
Guam	(1)	(1)	(1)	39	61
Hawaii	(1)	(1)	(1)	(1)	298
Idaho	455	314	387	435	611
Illinois	196	1,260	2,336	3,424	[4] 6,205
Indiana	450	675	861	1,209	1,546
Iowa	671	1,460	1,870	3,419	3,738
Kansas	210	320	494	945	1,184
Kentucky	255	1,667	1,549	2,077	2,449
Louisiana	6,866	965	436	7,706	8,060
Maine	638	296	645	196	271
Maryland	130	(1)	(1)	6,186	15,849
Massachusetts	(1)	(1)	(1)	(1)	(1)
Michigan	(1)	(1)	(1)	(1)	53,137
Minnesota	2,766	3,866	5,115	5,708	[5] 8,331
Mississippi	81	153	199	248	318
Missouri	(1)	913	1,283	1,754	2,490
Montana	444	301	361	327	340
Nebraska	176	181	210	3,861	[6] 5,011
Nevada	4,026	2,558	3,250	4,651	4,792
New Hampshire	(1)	(1)	(1)	(1)	(1)
New Jersey	20,000	13,295	17,206	29,130	34,662
New Mexico	286	875	560	1,021	1,504
New York	39,623	37,854	31,618	48,370	55,832
North Carolina	1,715	(1)	2,360	3,190	4,524
North Dakota	154	149	91	99	127
Ohio	1,430	1,033	916	1,857	3,540
Oklahoma	(1)	184	565	719	1,078
Oregon	17,957	28,807	32,499	32,472	[7] 16,065
Pennsylvania	49,621	37,877	47,648	66,691	[8] 90,694
Puerto Rico	710	178	837	[9] 6,846	[9] 9,114
Rhode Island	57	110	190	294	1,900
South Carolina	203	(1)	188	644	1,013
South Dakota	297	254	320	391	491
Tennessee	6,360	7,816	7,981	6,233	8,532
Texas	2,861	1,673	2,602	2,744	3,888
Utah	400	427	512	489	632
Vermont	181	194	195	194	172
Virgin Islands	1	64	162	188	267
Virginia	38	36	201	1,078	914
Washington	4,822	5,115	5,802	6,215	6,648
West Virginia	130	147	137	186	386
Wisconsin	4,685	4,150	3,597	3,876	8,061
Wyoming	89	87	116	122	143

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[1] Data not reported for this item or insufficient data reported to perform indicated computation.

[2] OCSE estimate, based on data submitted through time of publication.

[3] Florida: Increase due to more accurate data resulting from new State Management Information System.

[4] Illinois: Increase due to enlargement of State's total non-AFDC caseload.

[5] Minnesota: Increase due to enlargement of State's total non-AFDC caseload.

[6] Nebraska: Increase in fiscal year 1982 due to irregular reporting by clerks of district courts and county attorneys offices.

[7] Oregon: Decrease due to change in State law regarding umbrella agency's jurisdiction over all non-AFDC families for whom support payments are to be made; now only families specifically requesting enforcement services are counted.

[8] Pennsylvania: Increase due to greater number of counties reporting and to more accurate data resulting from improved county ADP systems.

[9] Puerto Rico: Increases due to updating of caseload files and revision of previously reported data by Office of Court Administration.

Source: Child Support Enforcement, 7th Annual Report to Congress for the Period Ending September 30, 1982.

TABLE 10.—NUMBER OF FAMILIES REMOVED FROM AFDC DUE TO CHILD SUPPORT COLLECTIONS, FISCAL YEARS 1978–1982

State	1978	1979	1980	1981	1982
Total	18,744	25,427	40,313	45,631	31,897
Alabama	1,048	284	523	135	113
Alaska	(1)	20	100	150	200
Arizona	118	17	10	31	[2] 47
Arkansas	824	215	268	297	[3] 507
California	(1)	(1)	(1)	(1)	(1)
Colorado	1,419	288	113	172	[4] 568
Connecticut	(1)	640	293	209	[5] 77
Delaware	(1)	128	(1)	(1)	62
District of Columbia	7	11	53	53	90
Florida	434	356	458	582	332
Georgia	(1)	58	107	0	469
Guam	(1)	(1)	2	15	27
Hawaii	29	(1)	24	27	239
Idaho	66	80	93	480	104
Illinois	718	(1)	(1)	(1)	(1)
Indiana	(1)	(1)	1,468	5,770	322
Iowa	(1)	780	82	41	18
Kansas	1,770	1,197	8	483	421
Kentucky	(1)	(1)	379	436	(1)
Louisiana	(1)	796	161	1,022	[6] 685
Maine	(1)	(1)	(1)	650	454
Maryland	1,843	1,184	1,217	970	[7] 668
Massachusetts	(1)	(1)	(1)	(1)	(1)
Michigan	209	1,417	1,232	1,639	1,391
Minnesota	582	490	912	1,146	1,032
Mississippi	47	(1)	80	86	218
Missouri	(1)	96	12,954	952	(1)
Montana	138	141	99	82	120
Nebraska	96	72	56	46	32
Nevada	(1)	(1)	28	106	65
New Hampshire	34	(1)	(1)	(1)	(1)
New Jersey	2,007	2,218	2,366	3,155	3,265
New Mexico	123	7	70	66	27
New York	(1)	2,050	1,920	2,495	[8] 5,027
North Carolina	(1)	244	166	289	(1)
North Dakota	(1)	1,218	445	125	125
Ohio	(1)	243	95	584	544
Oklahoma	859	74	117	159	128
Oregon	3,144	3,654	788	478	269
Pennsylvania	(1)	2,713	2,351	(1)	(1)
Puerto Rico	113	64	35	260	272
Rhode Island	(1)	689	1,482	1,383	1,548
South Carolina	51	(1)	788	724	931
South Dakota	287	136	153	123	126
Tennessee	(1)	(1)	2,857	16,152	6,300
Texas	1,921	1,697	1,909	1,405	[9] 2,314
Utah	329	331	293	401	337
Vermont	(1)	(1)	(1)	(1)	(1)
Virgin Islands	(1)	5	0	1	0
Virginia	167	1,475	2,769	524	166
Washington	(1)	(1)	(1)	(1)	0
West Virginia	270	250	907	1,383	1,457
Wisconsin	(1)	(1)	(1)	233	756
Wyoming	86	89	82	111	44

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[1] Data not reported for this item or insufficient data reported to perform indicated computation.

[2] Arizona: Represents data for only 11 months of the fiscal year.

[3] Arkansas: Increase due to reduced AFDC grant payments during 1st and 2nd quarters, causing more cases to close when collections made.

[4] Colorado: Increase due to reporting of data for 12 months instead of 2.

[5] Connecticut: Represents data for 4th quarter only.

[6] Louisiana: Decrease due to high unemployment rates causing decrease in payments from absent parents.

[7] Maryland: Decrease due to incomplete reporting by counties; no data collected from Baltimore County.

[8] New York: Increase due to more accurate data resulting from improved reporting by districts.

[9] Texas: Increase due to increased enforcement of court orders.

Note: These data are maintained by IV–A agencies, which often results in reporting difficulties for IV–D agencies.

Source: Child Support Enforcement, 7th Annual Report to Congress for the Period Ending September 30, 1982.

TABLE 11.—TOTAL NUMBER OF PATERNITIES ESTABLISHED, FISCAL YEARS 1978–1982

State	1978	1979	1980	1981	1982
Total	110,714	137,645	144,467	163,582	173,621
Alabama	6,160	6,161	6,302	4,884	4,472
Alaska	5	3	53	73	98
Arizona	287	154	485	542	618
Arkansas	3,745	2,586	730	677	1,131
California	14,188	19,364	15,444	22,899	[1] 22,394
Colorado	1,137	1,046	1,301	1,103	1,154
Connecticut	2,566	3,029	3,021	3,769	4,397
Delaware	242	205	831	694	871
District of Columbia	378	386	737	907	941
Florida	6,684	7,078	7,524	7,557	[2] 8,870
Georgia	2,527	3,642	4,965	5,329	5,452
Guam	([3])	([3])	122	297	144
Hawaii	726	854	656	794	1,077
Idaho	40	287	76	79	34
Illinois	1,351	3,025	4,434	6,028	6,194
Indiana	2,052	1,644	2,519	1,287	[4] 3,853
Iowa	([3])	575	1,080	1,373	1,221
Kansas	521	696	1,030	1,074	978
Kentucky	367	784	1,819	2,157	2,453
Louisiana	1,013	1,304	2,095	2,869	3,273
Maine	([3])	382	633	339	595
Maryland	6,294	13,307	8,330	10,435	[5] 8,739
Massachusetts	1,218	2,096	3,035	3,564	3,429
Michigan	6,567	7,529	8,751	10,696	[6] 12,952
Minnesota	1,249	1,786	2,523	2,526	2,272
Mississippi	819	932	1,696	1,725	1,751
Missouri	([3])	([3])	171	476	424
Montana	68	92	170	97	[7] 56
Nebraska	([3])	([3])	60	268	335
Nevada	214	233	189	395	[8] 626
New Hampshire	42	35	78	71	64
New Jersey	7,503	8,242	9,417	11,282	9,647
New Mexico	170	322	659	1,258	1,071
New York	16,025	17,503	14,072	12,041	12,751
North Carolina	5,129	6,592	7,399	6,728	7,071
North Dakota	280	293	337	328	284
Ohio	2,305	4,808	6,464	7,658	8,552
Oklahoma	32	43	452	698	[9] 1,132
Oregon	1,528	1,521	2,101	2,199	2,190
Pennsylvania	4,811	4,450	5,384	7,305	9,362
Puerto Rico	25	22	23	39	37
Rhode Island	([3])	347	478	354	333
South Carolina	1,055	1,378	1,547	1,536	1,413
South Dakota	104	60	83	137	159
Tennessee	5,077	5,003	5,871	5,669	5,913
Texas	215	202	1,454	1,822	1,862
Utah	166	485	545	1,076	1,229
Vermont	77	44	180	245	234
Virgin Islands	1	4	11	3	6
Virginia	846	1,452	1,712	1,995	2,463
Washington	291	656	850	981	1,474
West Virginia	155	156	422	484	521
Wisconsin	4,440	4,803	4,079	4,672	5,025
Wyoming	19	44	67	88	108

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[1] OCSE estimate, based on data submitted through time of publication.

[2] Florida: Increase due to hiring new staff, to change in tactics cause by legal decision, to increased number of applicants for non-AFDC services, and to increased number of illegitimate births.

[3] Data not reported for this item or insufficient data reported to perform indicated computation.

[4] Indiana: Increase due to correction of error in reporting method and resulting inclusion of previously unreported data.

[5] Maryland: Decrease due to concentration of staff efforts on locate activity.

[6] Michigan: Increase due to reporting of previously unavilable data from contracted agencies.

[7] Montana: Decrease due to hiring freeze and centralization of non-AFDC caseload, resulting in fewer staff available to maintain caseload.

[8] Nevada: Increase due to increased staffing and worker effectiveness.

[9] Oklahoma: Increase due to more voluntary acknowlegements resulting from improved methods of paternity establishment.

Source: Child Support Enforcement, 7th Annual Report to Congress for the Period Ending September 30, 1982.

TABLE 12.—TOTAL NUMBER OF SUPPORT OBLIGATIONS ESTABLISHED, FISCAL YEARS 1978–1982

State	1978	1979	1980	1981	1982
Total	314,584	349,122	373,691	414,521	468,537
Alabama	8,545	7,585	7,626	5,137	5,978
Alaska	178	553	755	955	1,159
Arizona	(1)	686	2,133	2,993	3,014
Arkansas	6,277	3,382	3,274	3,484	3,121
California	51,752	61,806	51,267	63,787	[2] 58,722
Colorado	5,553	4,996	9,376	6,560	6,087
Connecticut	27,858	11,123	11,562	12,474	11,867
Delaware	247	276	1,196	1,814	2,415
District of Columbia	468	416	637	550	432
Florida	13,742	11,560	12,384	13,778	[3] 15,562
Georgia	4,443	5,739	6,764	7,372	7,621
Guam	(1)	(1)	61	169	98
Hawaii	2,585	1,748	1,104	2,069	2,476
Idaho	899	9,444	2,721	3,965	1,962
Illinois	16,512	11,379	10,676	10,933	14,995
Indiana	3,471	2,314	6,982	12,719	11,915
Iowa	(1)	4,204	8,260	10,752	[4] 9,393
Kansas	5,301	2,781	2,565	2,600	2,587
Kentucky	516	1,590	3,402	5,718	[5] 3,914
Louisiana	2,094	4,587	5,606	7,682	8,502
Maine	(1)	1,115	1,140	3,109	3,388
Maryland	10,341	8,128	7,040	10,100	[6] 7,878
Massachusetts	10,154	9,758	9,604	12,414	16,785
Michigan	6,123	7,572	10,587	10,445	[7] 13,303
Minnesota	1,747	4,095	10,882	8,268	7,810
Mississippi	720	730	751	822	808
Missouri	(1)	(1)	2,013	3,719	[8] 2,335
Montana	139	78	127	69	[9] 377
Nebraska	218	(1)	180	789	832
Nevada	1,889	1,579	2,171	4,362	3,842
New Hampshire	162	1,828	186	219	107
New Jersey	18,408	27,034	20,521	24,744	29,556
New Mexico	1,758	2,826	3,486	4,416	3,478
New York	25,098	28,379	28,159	27,987	28,036
North Carolina	4,282	10,577	11,732	11,473	11,964
North Dakota	589	571	474	443	547
Ohio	6,216	10,248	12,261	7,796	[10] 11,310
Oklahoma	624	1,770	2,314	3,824	3,703
Oregon	479	7,660	7,373	7,259	5,984
Pennsylvania	30,243	32,347	36,060	34,942	[11] 75,106
Puerto Rico	1,484	1,199	2,098	5,372	7,817
Rhode Island	(1)	2,391	3,027	2,835	1,824
South Carolina	1,065	924	1,285	1,272	1,278
South Dakota	1,735	(1)	284	338	346
Tennessee	2,603	3,408	3,741	4,149	8,545
Texas	12,171	12,066	13,482	11,784	12,349
Utah	4,520	3,582	5,593	4,794	5,338
Vermont	250	944	1,127	1,327	1,049
Virgin Islands	116	33	155	138	186
Virginia	969	2,407	5,590	7,949	8,646
Washington	10,340	9,546	9,826	9,211	10,072
West Vriginia	349	382	950	728	580
Wisconsin	9,170	9,678	11,028	11,544	11,190
Wyoming	181	98	93	369	348

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[1] Data not reported for this item or insufficient data reported to perform indicated computation.

[2] OCSE estimate based on data submitted through time of publication.

[3] Florida: Increase due to hiring of new staff, to change in tactics caused by legal decision, implementation of recommendations from Federal comprehensive review and to personnel reorganization which allowed investigators more time to work on establishments.

[4] Iowa: Decrease due to implementation of case prioritization procedures.

[5] Kentucky: Decrease due to change in data collection methodology and to reduced AFDC caseload resulting from more stringent N–A eligibility requirements.

[6] Maryland: Decrease due to concentration of staff efforts on locate activity.

[7] Michigan: Increase due to reporting of previously unavailable data from contracted agencies.

[8] Missouri: Decrease due to reporting problems resulting from implementation of new State ADP system.

[9] Montana: Increase due to clarification of reporting requirements.

[10] Ohio: Increase due to greater efforts on part of county workers.

[11] Pennsylvania: Increase due to greater number of counties reporting data and to more accurate data resulting from improved county ADP systems.

Source: Child Support Enforcement, 7th Annual Report to Congress for the Period Ending September 30, 1982.

TABLE 13.—PERCENTAGE OF AFDC ASSISTANCE PAYMENTS RECOVERED THROUGH CHILD SUPPORT COLLECTIONS, FISCAL YEARS 1979–1982

State	1979	1980	1981	1982
Total	5.8	5.5	5.7	6.8
Alabama	8.5	8.2	6.5	[1] [2] 11.2
Alaska	1.5	2.3	2.3	3.3
Arizona	2.0	2.4	2.6	2.5
Arkansas	4.8	4.8	5.3	[2] [3] 8.9
California	7.2	5.2	4.7	[1] [2] 6.2
Colorado	5.0	5.2	5.4	[2] [3] 7.6
Connecticut	6.7	7.2	7.8	[3] 10.5
Delaware	4.6	5.7	6.5	7.3
District of Columbia	1.0	1.4	1.6	2.1
Florida	5.5	5.6	5.9	[1] [2] 6.9
Georgia	4.3	4.4	5.0	4.7
Guam	5.6	3.3	3.4	[2] 5.3
Hawaii	3.1	3.4	3.6	4.1
Idaho	8.9	9.2	12.1	[1] [2] 17.1
Illinois	1.6	1.7	1.7	2.4
Indiana	7.2	7.2	7.0	[1] [2] 8.4
Iowa	9.3	9.9	10.9	[2] [3] 14.4
Kansas	5.1	5.9	6.3	[2] [3] 10.8
Kentucky	3.8	3.1	3.0	3.1
Louisiana	5.2	6.0	5.7	[2] [3] 7.3
Maine	7.3	7.4	8.1	10.2
Maryland	6.2	6.7	7.2	7.9
Massachusetts	6.6	6.5	7.8	[1] [2] 9.1
Michigan	9.8	9.0	9.8	[2] [3] 12.9
Minnesota	8.1	8.3	9.2	[2] [3] 11.2
Mississippi	2.9	3.3	3.7	4.3
Missouri	2.8	3.1	3.5	[2] [3] 7.1
Montana	4.7	5.0	6.1	6.7
Nebraska	5.5	6.5	6.7	7.0
Nevada	6.3	7.1	7.1	[2] [3] 12.5
New Hampshire	9.4	8.5	8.0	[2] [3] 9.4
New Jersey	6.1	6.5	6.2	7.0
New Mexico	3.4	3.6	4.2	5.0
New York	3.6	3.5	3.4	3.5
North Carolina	5.6	6.2	7.5	[2] [3] 9.0
North Dakota	9.6	9.1	9.8	[2] [3] 12.3
Ohio	5.3	5.5	6.0	6.1
Oklahoma	1.6	1.7	2.5	3.5
Oregon	10.0	9.5	12.0	[2] [3] 16.6
Pennsylvania	4.8	4.8	5.3	6.0
Puerto Rico	.7	1.1	1.1	1.1
Rhode Island	6.2	5.2	5.0	5.7
South Carolina	5.6	5.6	5.6	6.2
South Dakota	6.5	6.9	7.1	[2] 8.6
Tennessee	5.0	5.3	4.1	[1] [2] 7.9
Texas	5.4	5.8	6.3	5.8
Utah	15.1	16.9	19.1	[2] [3] 21.2
Vermont	4.4	4.7	5.5	[2] [3] 9.1
Virgin Islands	8.5	4.9	5.3	6.3
Virginia	6.3	5.4	5.0	[2] [3] 6.3
Washington	14.0	8.7	8.7	9.3
West Virginia	2.6	2.0	4.3	[2] [3] 5.6
Wisconsin	10.1	9.3	9.8	9.5
Wyoming	5.6	5.7	6.3	7.2

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[1] Increase due in part to increased AFDC child support collections. For explanation, see footnotes for Total Distributed AFDC Collections (1982).

[2] Increase due in part or in whole to decreased AFDC maintenance assistance payments.

[3] Increase due in part or in whole to increased AFDC child support collections resulting from the Federal Tax Refund Offset Program.

Note: Payments to AFDC Unemployed Parent (UP) families have been excluded from the maintenance assistance payments totals in those States having AFDC–UP programs.

Source: Child Support Enforcement, 7th Annual Report to Congress for the Period Ending September 30, 1982.

TABLE 14.—TOTAL CHILD SUPPORT COLLECTIONS PER DOLLAR OF TOTAL ADMINISTRATIVE EXPENDITURES, FISCAL YEARS 1978–1983

State	1978	1979	1980	1981	1982	1983
U.S. ratio	3.35	3.70	3.29	3.18	2.99	2.93
Alabama	.75	1.48	1.22	.89	1.13	.94
Alaska	3.19	1.99	2.08	2.37	2.63	2.41
Arizona	.88	3.14	2.26	3.08	3.92	1.77
Arkansas	1.00	1.60	1.52	1.42	1.17	1.58
California	2.15	2.78	2.26	2.10	2.27	2.00
Colorado	1.78	1.04	1.11	2.16	2.55	2.15
Connecticut	4.20	4.39	4.04	3.82	3.92	3.30
Delaware	7.14	7.66	6.39	2.76	3.47	2.88
District of Columbia	.73	.67	.62	.59	.67	.71
Florida	1.20	1.48	1.27	1.58	1.44	1.20
Georgia	2.22	1.71	1.54	1.73	1.34	1.64
Guam		1.48	.73	.92	1.11	1.24
Hawaii	1.71	5.45	5.10	3.81	4.75	2.72
Idaho	2.10	2.27	2.52	2.24	2.49	2.18
Illinois	2.10	1.56	1.19	1.04	1.29	1.96
Indiana	2.42	2.26	2.22	2.05	1.96	3.05
Iowa	3.49	3.43	3.36	3.70	4.39	4.92
Kansas	3.01	2.18	1.70	1.79	2.06	1.90
Kentucky	1.14	1.24	3.03	2.45	2.07	2.57
Louisiana	1.82	1.89	1.90	1.87	2.06	2.06
Maine	3.40	3.72	3.19	3.17	2.84	3.35
Maryland	2.14	2.56	2.65	2.75	3.95	4.72
Massachsuetts	5.12	5.82	4.60	4.02	4.15	3.65
Michigan	9.50	11.61	11.01	10.07	6.64	6.96
Minnesota	2.15	2.42	2.27	2.34	2.59	2.59
Mississippi	.87	1.06	1.22	1.27	1.11	1.66
Missouri	.89	1.10	1.50	1.68	2.46	1.98
Montana	1.58	1.25	1.44	1.51	1.67	2.04
Nebraska	2.10	1.80	1.81	4.56	4.79	5.73
Nevada	1.83	2.51	1.45	1.51	1.78	1.62
New Hampshire	4.05	2.47	2.10	2.28	3.46	6.29
New Jersey	4.16	4.37	3.98	3.82	4.03	3.97
New Mexico	1.17	1.17	1.13	1.25	1.30	1.42
New York	1.75	2.40	2.40	2.23	2.15	2.02
North Carolina	1.50	1.58	1.56	1.98	1.99	2.50
North Dakota	1.83	2.45	2.12	1.89	1.91	2.10
Ohio	2.50	2.00	1.70	1.71	1.67	1.76
Oklahoma	.76	.66	.59	.66	.63	.82
Oregon	9.48	11.83	9.53	9.19	4.18	3.42
Pennsylvania	9.14	14.46	7.87	7.41	7.26	6.65
Puerto Rico	.92	2.26	2.40	1.98	5.08	9.60
Rhode Island	3.51	3.37	2.93	2.37	2.73	3.51
South Carolina	2.38	2.38	2.52	2.94	2.52	2.58
South Dakota	.99	1.33	1.66	1.72	1.84	2.28
Tennessee	2.49	3.11	2.47	2.16	3.13	2.71
Texas	.74	.74	.70	.80	.83	1.17
Utah	1.99	2.15	1.79	1.95	2.17	2.03
Vermont	2.24	2.16	2.48	2.44	4.02	2.95
Virgin Islands	.40	.58	.78	1.41	2.32	2.17
Virginia	.72	1.53	1.43	1.40	1.59	1.82
Washington	2.96	2.94	2.60	2.70	2.82	2.30
West Virginia	.74	.95	1.02	.97	.89	1.33
Wisconsin	3.80	4.53	3.19	3.71	2.86	2.71
Wyoming	3.18	3.09	3.60	2.81	2.27	2.66

Source: Office of Child Support Enforcement.

TABLE 15.—FEDERAL TAX REFFUND OFFSET PROGRAM, FISCAL YEAR 1982

[Dollars in thousands]

State	Cases submitted	Amount submitted	Cases offset	Amount offset [1]
Alabama	2,930	$5,309	1,600	$903
Alaska	230	1,577	90	104
Arkansas	2,670	4,981	1,440	687
California	146,610	632,910	66,450	44,548
Colorado	4,090	15,294	2,020	1,304
Connecticut	20,710	62,863	11,370	6,709
Delaware	200	503	80	47
District of Columbia	1,550	7,090	810	589
Florida	200	505	100	48
Georgia	50	134	30	18
Hawaii	990	3,296	430	296
Idaho	5,180	12,348	2,390	1,431
Illinois	11,710	34,638	5,320	3,596
Indiana	6,610	15,839	2,460	1,306
Iowa	8,510	42,852	5,530	4,434
Kansas	9,060	25,615	4,490	2,712
Kentucky	7,390	14,579	4,010	2,229
Louisiana	6,130	8,044	3,020	1,407
Maine	2,890	11,489	1,270	704
Maryland	27,990	75,264	14,110	7,930
Massachusetts	6,680	17,335	3,760	2,158
Michigan	59,930	304,086	27,165	21,338
Minnesota	25,260	76,189	11,550	6,870
Mississippi	3,630	8,408	2,130	1,064
Missouri	22,030	50,139	11,040	6,666
Montana	530	1,622	250	173
Nevada	1,680	3,407	760	473
New Hampshire	1,400	2,877	890	507
New Jersey	36,890	198,818	15,905	9,363
New Mexico	950	1,848	440	210
New York	33,020	88,345	14,100	7,497
North Carolina	100	126	80	40
North Dakota	1,040	3,647	510	311
Ohio	1,680	9,404	920	657
Oklahoma	260	980	80	51
Oregon	27,970	85,424	11,690	6,887
Pennsylvania	10,980	85,982	3,860	2,416
Rhode Island	310	496	180	89
South Carolina	500	1,050	300	139
South Dakota	860	2,478	440	272
Tennessee	170	257	100	41
Utah	12,390	42,648	5,690	3,530
Vermont	3,870	11,148	2,490	1,282
Virginia	6,580	12,844	2,930	1,442
Washington	10,510	39,342	4,800	2,959
West Virginia	660	2,195	370	259
Wisconsin	25,260	135,985	12,340	8,399
Wyoming	450	1,473	240	166
Total	561,290	2,163,679	262,030	166,260

[1] Amounts offset reflect total amounts collected and are subject to reduction as a result of (1) States refunding the collection because, for example, there was no past due obligation or because of (2) adjustments to tax payer accounts by the IRS.

Note: Cased rounded to nearest ten; amounts rounded to nearest hundred.

Source: Child Support Enforcement, 7th Annual Report to Congress for the Period Ending September 30, 1982

TABLE 16.—INCENTIVE PAYMENTS TO STATES AND LOCALITIES FOR AFDC COLLECTIONS, FISCAL YEARS 1982 AND 1983

[In thousands of dollars]

State	1982	1983
Alabama	$704	$1,234
Alaska	158	245
Arizona	157	198
Arkansas	412	672
California	13,891	13,102
Colorado	914	1,337
Connecticut	3,117	2,977
Delaware	294	341
District of Columbia	223	267
Florida	1,871	2,108
Georgia	1,195	1,685
Guam	2	4
Hawaii	413	524
Idaho	463	471
Illinois	2,527	2,807
Indiana	1,401	2,424
Iowa	2,458	3,184
Kansas	1,085	1,103
Kentucky	502	896
Louisiana	1,202	1,503
Maine	892	1,250
Maryland	2,052	3,896
Massachusetts	6,071	6,046
Michigan	13,717	13,408
Minnesota	4,383	3,816
Mississippi	95	310
Missouri	1,816	1,622
Montana	182	274
Nebraska	423	527
Nevada	186	224
New Hampshire	349	376
New Jersey	4,877	6,037
New Mexico	333	434
New York	8,193	10,308
North Carolina	1,898	2,801
North Dakota	251	284
Ohio	4,512	5,010
Oklahoma	387	547
Oregon	2,378	1,840
Pennsylvania	5,670	6,577
Rhode Island	92	127
Puerto Rico	552	619
South Carolina	512	698
South Dakota	183	378
Tennessee	835	782
Texas	959	1,609
Utah	1,509	1,791
Vermont	453	392
Virgin Islands	25	21
Virginia	1,502	1,728
Washington	3,247	3,882
West Virginia	369	492
Wisconsin	4,655	5,417
Wyoming	86	117
Nationwide total	106,638	120,725

Source: Office of Child Support Enforcement.

APPENDIX G. FOOD STAMP PROGRAM

The food stamp program is designed to increase the food purchasing power of low-income households to a point where they can buy a nutritionally adequate low-cost diet. The theory behind the program is that a participating household is expected to be able to devote 30 percent of its countable[1] cash income to food, with food stamp benefits making up the difference between that amount and the sum determined to be sufficient to buy an adequate low-cost diet; i.e., the cost of the Department of Agriculture's "Thrifty Food Plan." Thus, an eligible household with no countable cash income receives the maximum monthly food stamp allotment for its size (benefits also vary by household size), while one with some countable cash income receives a lesser allotment—reduced from the maximum at the rate of 30 cents for each dollar of countable cash income. Food stamp benefits are available to nearly all households meeting the *income and liquid assets eligibility tests,* as long as certain household members fulfill work registration, job search, and other employment-related requirements. Unlike other welfare programs, the food stamp program has few *categorical* restrictions on eligibility, such as age, disability, or the presence of children in the household.

ADMINISTRATION AND FUNDING

The food stamp program operates in all 50 States, the District of Columbia, the Virgin Islands and Guam.[2] Through June 1982, it also operated in Puerto Rico. However, in July 1982, the program was legislatively terminated and replaced by a food aid program designed by the Commonwealth and federally funded at $825 million annually; this program grants cash benefits somewhat smaller than food stamp benefits to about 1.5 million persons.[3] The Federal Government, under the authority of the Food Stamp Act of 1977, establishes the rules that govern the program and, with certain minimal variations for Alaska, Hawaii and the territories, they are nationally uniform. States may opt to offer the program or not; but, if a State chooses to offer it, it must offer the program throughout the State.

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[1] Not all of a household's income is actually counted when determining its food stamp benefits. In effect, this means that the program assumes households can spend about 20-25 percent of their *gross* cash income on food.

[2] The Commonwealth of the Northern Mariana Islands operates a specially designed variant of the food stamp program, with benefit and eligibility rules roughly comparable to those in the 48 States and the District of Columbia, though simplified and somewhat more restrictive. In addition, certain controls are placed on the use of food stamp benefits in order to encourage the production and purchase of local commodities.

[3] The Commonwealth of Puerto Rico's nutritional assistance program provides cash benefits to low-income residents using eligibility tests that are more restrictive than those of the food stamp program. Benefit levels are about 10 percent lower than regular food stamp benefit amounts.

At the Federal level, the program is administered by the U.S. Department of Agriculture's Food and Nutrition Service, which gives direction, through Federal regulations, to States and localities in their administrative tasks, is responsible for the printing and distribution of stamps to the States, and oversees participation by retail food stores and other food outlets. Other Federal involvement includes the Federal Reserve System, through which food stamps deposited in banks by food outlets are redeemed and converted to cash.[4] At the State and local levels, it is administered, along with the AFDC program, by welfare departments which are responsible for determining eligibility and issuing benefits.[5]

The Food Stamp Act provides for 100 percent Federal funding of food stamp benefits.[6] Federal funds also pay Federal administrative costs and 50 percent of most State and local administrative costs.[7] State and local costs associated with computerization and fraud control activities are eligible for 75 percent Federal funding. Administrative costs not borne by the Federal Government are shared by States and localities according to State law.

TABLE 1.—RECENT FOOD STAMP EXPENDITURES

[In millions]

Fiscal year	Benefit expenditures (Federal)	Administrative costs		Total
		Federal	State/local[1]	
1979	$6,480	$465	$338	$7,283
1980	8,685	510	381	9,576
1981	10,633	686	509	11,828
1982	[2] 10,351	661	564	11,576
1983 (estimated)	[3] 11,977	691	604	13,272

[1] Estimated.

[2] Includes $206.5 million for Puerto Rico's nutritional assistance block grant, which began operation in the last quarter of fiscal year 1982.

[3] Includes $825 million for Puerto Rico's nutritional assistance block grant.

ELIGIBILITY

The food stamp program imposes three major tests for eligibility: income limits, liquid assets limitations, and work registration and job search requirements. With certain exceptions, all households, including those receiving cash welfare, must pass all food stamp eligibility requirements.

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[4] Federally supported State employment service offices may also be involved if a State contracts with them to administer portions of the food stamp program's work registration and job search requirements.

[5] With the Department of Agriculture's approval, Indian tribes may administer the food stamp program on reservations and Indian lands. In certain cases, social security district offices may provide intake services for applicants who are also supplemental security income (SSI) recipients.

[6] In Puerto Rico, Federal funds pay for 100 percent of the benefit costs of its nutritional assistance program and 50 percent of any Commonwealth administrative costs—up to a ceiling of $825 million annually.

[7] As an incentive for improved administration, a State qualifies for a matching rate of 60 percent if it reduces its rate of erroneous payments below 5 percent of benefits issued and has very low rates of improper denials and under-issuances. In addition, a State may lose a portion or all of its Federal share of administrative expenses if it does not meet certain legislatively established targets for reducing its rate of erroneous payments.

The food stamp household

Generally, all individuals living together and purchasing food and preparing meals in common constitute a food stamp "household" and must apply together; the income and assets of all household members are aggregated in determining eligibility and benefits. However, individuals who live together may, in some cases, apply as separate "households" and have only their income and assets considered in determining their eligibility and benefits. The basic rule is that those who purchase food and prepare meals apart from the rest of their residential unit may apply separately. This rule is modified by: (1) a requirement that, except for elderly and disabled individuals,[8] parents, children, and siblings apply together without regard to the "purchase and prepare" rule; (2) a requirement that individuals living in treatment programs for drug addicts or alcoholics, certain small group homes for the disabled, and shelters for battered women and children be treated as separate households without regard to the "purchase and prepare" rule; and (3) an exception providing that elderly individuals who cannot purchase food and prepare meals because of a substantial disability [9] may apply as separate households, as long as the remainder of their residential unit has gross monthly income below certain federally prescribed levels.

Income

In determining eligibility for most households, the Food Stamp program looks at a household's monthly income.[10] Further, it considers both gross and countable monthly income.

Gross income includes all cash income of the household, except for energy assistance, the portion of student aid used for tuition and mandatory fees, reimbursements for expenses, and certain other income required to be disregarded by other Federal laws.

Countable income for households without an elderly or disabled member (see footnote 8) excludes from gross income the following: (1) an inflation indexed standard deduction now standing at $89 per month, regardless of household size; [11] (2) 18 percent of any earned income, in recognition of taxes and work expenses; (3) any work or training-related expenses for the care of a dependent; and (4) any shelter expenses, to the extent they exceed 50 percent of the countable income remaining after all other potential deductions and excluded expenses have been subtracted out. However, the total of excluded dependent-care and shelter expenses cannot exceed an inflation indexed ceiling now standing at $125 per month.[12]

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[8] In the food stamp program, "elderly" is defined as age 60 or older. "Disabled" is defined as being in receipt of disability payments under social security or SSI programs, and includes certain severely disabled veterans and their disabled survivors.

[9] The definition of disability for this purpose is significantly more limited than the one generally used for food stamp purposes.

[10] At application, a household's current income is considered. However, for many households, their most recently reported prior month's income is used to set benefits during their period of eligibility. In some cases, annual income is converted to a monthly basis (e.g., where income for a whole year is actually received in a few months).

[11] Inflation indexing of the standand deduction occurs each October. Standard deduction amounts vary for Alaska, Hawaii, the Virgin Islands, and Guam; see table 2.

Countable income for households having an elderly or disabled member (see footnote 8) excludes from gross income the following: (1) an inflation indexed standard deduction now standing at $89 per month, regardless of household size (see footnote 11); (2) 18 percent of any earned income; (3) any work or training-relating expenses for the care of a dependent, up to an inflation indexed ceiling now standing at $125 per month (see footnote 12); (4) out-of-pocket medical expenses of elderly or disabled household members, to the extent they exceed $35 per month; and (5) any shelter expenses, to the extent they exceed 50 percent of the countable income remaining after all other potential deductions and excluded expenses have been subtracted out (with no limit).

TABLE 2.—FOOD STAMP DEDUCTION LEVELS

[Through September 1984]

	48 States and D.C.	Alaska	Hawaii	Virgin Islands	Guam
Monthly standard deduction	$89	$152	$126	$78	$178
Monthly ceiling on dependent care/shelter expense deductions	125	218	180	92	152

In order to qualify for food stamps, all households must have countable monthly income (as calculated with regard to whether or not they have elderly or disabled members) below the Federal poverty levels (see table 3). These poverty levels are adjusted each July to reflect inflation as measured by the Consumer Price Index. In addition, households without an elderly or disabled member must have gross monthly income below 130 percent of the Federal poverty levels (see table 3), also adjusted for inflation each July.

The current limits on countable and gross income in the 48 contiguous States, the District of Columbia, the Virgin Islands, and Guam[13] are as follows, through June 1984:

TABLE 3.—COUNTABLE AND GROSS INCOME ELIGIBILITY LIMITS

[Through June 1984]

Household size	Countable income limits (per month)	Gross income limits (per month)
1 person	$405	$527
2 persons	545	709
3 persons	685	891

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[12] Inflation indexing of this ceiling occurs each October. The ceiling varies for Alaska, Hawaii, the Virgin Islands, and Guam; see table 2.

[13] Limits are higher in Alaska and Hawaii, by 25 and 15 percent, respectively.

TABLE 3.—COUNTABLE AND GROSS INCOME ELIGIBILITY LIMITS—Continued

[Through June 1984]

Household size	Countable income limits (per month)	Gross income limits (per month)
4 persons	$825	$1,073
5 persons	965	1,255
6 persons	1,105	1,437
7 persons	1,245	1,619
8 persons	1,385	1,801
Each additional member	+140	+182

Assets

Eligible households must also have liquid assets not exceeding $1,500, or $3,000 in the case of households of two or more with an elderly member. This liquid assets limit excludes the value of a residence, a portion of the value of motor vehicles, business assets, household belongings and certain other resources.[14]

Work requirements

In order to retain household eligibility, non-working, able-bodied adult household members must register for, seek, and accept suitable employment, if offered. Exceptions are provided for those caring for dependents (disabled or under age 6), subject to another program's work requirements, working at least 30 hours per week or earning the minimum-wage equivalent, the limited number of post-secondary students who are otherwise eligible, residents of drug addiction or alcoholic treatment programs, and those under age 18 or age 60 or older. In addition, if a locality opts to operate a "workfare" program, nonworking, able-bodied adults may also be required to "work-off" their household's food stamp benefit.

Other limitations

Categorical eligibility restrictions include: (1) a ban on eligibility for households in which the primary wage-earner has voluntarily quit a job without good cause, for 90 days from the date of the voluntary quit; (2) a ban on eligibility for households containing striking members, unless eligible prior to the strike; (3) a ban on eligibility for most non-working post-secondary students without families; (4) a ban on eligibility for illegally or temporarily resident aliens and rules limiting eligibility for legally present aliens with sponsors; (5) a ban on eligibility for persons living in institutional settings, except for those in special small group homes for the disabled, persons living in drug addiction or alcoholic treatment programs, and persons in temporary shelters for battered women and children; and (6) a ban on eligibility for SSI recipients in California and Wisconsin.[15]

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[14] Households in which all members are recipients of aid to families with dependent children (AFDC) are exempt from the food stamp assets test, if their income is below food stamp income standards, on the assumption that they have met a similar test in the AFDC program.

Under these eligibility rules, it is estimated that about 30 million persons are eligible for food stamps, nationwide, at any point during the year.

BENEFITS

Food stamp benefits are a function of household size, countable monthly income, the cost of purchasing food using the Department of Agriculture's "Thrifty Food Plan," and, in some cases, geographical location. Maximum monthly allotments now equal 99 percent of the cost of the Thrifty Food Plan,[16] adjusted for household size and, in some instances, geographical location,[17] and indexed periodically for changes in food prices.[18] A participating household's actual monthly allotment is determined by subtracting, from the maximum for that household's size and location, an amount equal to 30 percent of its countable monthly income—on the assumption that it can afford to spend that much of its own income on food purchases, with the Food Stamp program supplementing its purchasing power to the extent necessary to buy an adequate low-cost diet. In determining benefits, the same countable income calculated when judging eligibility is used.

Maximum monthly food stamp allotments (99 percent of the cost of the Department of Agriculture's "Thrifty Food Plan"), from which 30 percent of a household's monthly countable income (after subtraction of the various potential deductions) is taken to determine a household's actual benefit, are as follows:

TABLE 4.—MAXIMUM MONTHLY FOOD STAMP ALLOTMENTS

[Through September 1984]

Household size	48 States and D.C.	Alaska	Hawaii	Virgin Islands	Guam
1 person	$76	$112	$108	$97	$111
2 persons	139	205	198	178	204
3 persons	199	294	283	255	293
4 persons	253	374	360	324	372
5 persons	301	444	427	385	442
6 persons	361	533	513	462	530
7 persons	399	589	567	511	586
8 persons	457	673	648	584	670
Each additional person	+57	+84	+81	+73	+83

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[15] Cash SSI payments have been increased in these States to include an estimated value for food stamp benefits.

[16] The reduction from 100 percent of the cost of the Thrifty Food Plan is effective for benefits paid in fiscal years 1983-1985, and was adopted in 1982 legislation, P.L. 97-253.

[17] Maximum allotments vary for Alaska, Hawaii, the Virgin Islands, and Guam, because of food costs that differ substantially from those in the 48 contiguous States and the District of Columbia.

[18] Indexed annually, each October, to reflect the change in food prices since the last adjustment.

Households with no countable income receive the maximum monthly allotment for their household size, and households with some countable income receive the maximum allotment reduced by 30 percent of their countable, not gross, income. Monthly benefits are expected to average $40–$45 per person in fiscal year 1984.

Minimum monthly allotments vary by household size, type of income, and the extent to which deductions from gross income are claimed. In some cases, income eligibility limits are exceeded before the allotment value is reduced to zero. In these cases, minimum benefits most often range from $10 to $80 per month. In other cases, the benefit is reduced to zero before income eligibility limits are exceeded.

Food stamp benefits are issued monthly. The local welfare agency must either deny eligibility or make food stamps available within 30 days of application and must provide food stamps without interruption if an eligible household reapplies in a timely manner. Households in immediate need because of little or no income and very limited cash assets are required to be treated on an expedited (5-day service) basis. Benefits are issued in three ways: (1) the welfare office may issue the eligible household an "Authorization to Participate" (ATP) document which it then takes to a bank, post office, or other issuing point to pick up its food stamp allotment; (2) the household may be asked to come into the welfare office to pick up its food stamp allotment; or (3) the welfare agency may mail the household its monthly allotment. In some pilot areas, benefits may be issued in cash to elderly or disabled households, or in standardized amounts to other (e.g., AFDC) cash welfare recipients.

USE OF FOOD STAMPS

Typically, participating households use their allotment in grocery stores that have been approved to accept food stamps. To be approved, a store must demonstrate that 50 percent of its food sales are staple foods. In addition, wholesalers may be approved to accept food stamps from retailers in certain instances, and meal service programs of various types may be approved to accept food stamps for meals. Once they have accepted food stamps, retailers, wholesalers, and approved meal service programs deposit them in banks, where they convert immediately to cash and are eventually redeemed, through the Federal Reserve System, by the U.S. Treasury.

Food stamps are issued in booklets and in several denominations, the lowest of which is $1. When change is necessary, all change of $1 or more must be in food stamps; change of 99 cents or less is in cash.

INTERACTION WITH CASH ASSISTANCE PROGRAMS

The food stamp program is intertwined with cash assistance programs in two ways: it is administratively linked to cash assistance at the State and local level and its recipient population is, by and large, made up of cash aid recipients.

At the State and local level, the food stamp program is, for most recipients, administered by the same welfare offices and personnel that administer, under different rules, cash assistance such as AFDC and General Assistance. For most SSI recipients, the Social Security Administration's offices provide intake services for the Food Stamp program. As a result, there is a continuing tension between the different sets of rules used by welfare and social security offices to determine eligibility and benefits.

Less than 20 percent of food stamp households rely solely on nongovernmental sources for their income, although nearly 40 percent have some income from these sources: earnings, private retirement income, alimony, and dividends and interest. The AFDC program contributes to the income of 34 percent of food stamp households, and for almost three-fourths of these households AFDC is their only source of income. Nearly 26 percent of food stamp households receive social security disability or retirement income, and about one-third of them rely entirely on that income. SSI payments are made to 20 percent of food stamp households, one-fourth of whom have no other income. State and local general assistance is received by 6 percent of food stamp households. And, veterans' benefits are made to about 3 percent of food stamp households. Thus, for most persons participating in the food stamp program, food aid represents a second or third form of government payment.

Recent Legislative Action

The 97th Congress acted three times to hold down costs of the food stamp program and revise administrative rules: The Omnibus Budget Reconciliation Act of 1981; the Agriculture and Food Act of 1981; and the Omnibus Budget Reconciliation Act of 1982. The Congressional Budget Office (CBO) has estimated these actions will hold food stamp spending for fiscal year 1982 through fiscal year 1985 nearly $7 billion (or 13 percent) below what would have been spent under pre-1981 law: down $1.5 billion in fiscal year 1982; $1.3 billion in fiscal year 1983; $2 billion in fiscal year 1984; and $2.1 billion in fiscal year 1985. Although earlier estimates had indicated total 4-year savings approaching $8 billion, newly revised inflation and other economic assumptions dictated the revised estimate of about $7 billion.

In addition to numerous changes in administrative rules and actions aimed at reducing fraud and abuse, the cost-saving measures enacted in the 97th Congress consisted primarily of:

Delaying various inflation indexing adjustments that would have increased benefits (for example, no benefit indexing occurred in fiscal year 1982);

Reducing the maximum benefit guarantee to 99 percent (rather than 100 percent) of the cost of purchasing food in the Agriculture Department's Thrifty Food Plan, thereby slightly reducing potential benefits to all recipients (a loss of between $1 and $4 per household per month in the fiscal year 1983 inflation indexing of benefits, for example);

Reducing first-month benefits by prorating them according to the date when a household applies or reapplies;

Changing the rules governing how benefit calculations are rounded off;

Placing a gross income eligibility ceiling of 130 percent of the Federal poverty levels on all households except those with elderly or disabled members;

Replacing the food stamp program in Puerto Rico with an $825-million-a-year nutritional assistance block grant;

Reducing benefits slightly for those with earned income by counting more of their income;

Substantially eliminating eligibility for most strikers and postsecondary students;

Reducing benefits based on estimated household shelter expenses for some recipients;

Allowing States or localities to set up food stamp "workfare" programs;

Setting specific targets for States to meet in reducing the rate of erroneous benefit payments, with penalties for States that do not meet their targets; and

Requiring that many food stamp recipients report monthly on their income and other circumstances, and that States use a recent *prior* month's income in determining benefits rather than projecting benefits based on *current* income.

These actions did *not* cause a direct reduction in benefits for most food stamp households, although they delayed or lowered benefit increases scheduled under previous law. However, some 1 million persons did lose eligibility, and recipients are losing some benefits because of the implementation of rules governing treatment of shelter expenses and earnings, the monthly reporting/prior-month accounting system, certain new administrative rules, and limited funding for Puerto Rico block grant.

It is significant that the 97th Congress did *not* enact most of the food stamp revisions proposed by the Reagan administration in 1981 and 1982. Instead, Congress chose to meet its dollar-saving goals through its own packages of amendments, which, by and large, steered clear of direct reductions of food stamp benefits in the hands of recipients and stressed controlling benefit increases.

TABLE 5.—HISTORICAL FOOD STAMP STATISTICS

Fiscal year	Total Federal spending (in millions) [1]	Average monthly participation (in millions of persons)	Average monthly benefits (per person)	4-person maximum monthly allotment [2]
1972 [3]	$1,909	11.1	$13.50	$108
1973	2,208	12.2	14.60	112
1974	2,845	12.9	17.60	116
1975 [4]	4,599	17.1	21.40	150
1976	5,582	18.5	23.90	162
Transition quarter [5]	1,325	17.3	24.40	166
1977	5,399	17.1	24.70	166
1978	5,585	16.0	26.80	170
1979 [6]	6,913	17.7	30.60	182
1980	9,211	21.1	34.40	204
1981	11,353	22.4	39.50	209
1982 [7]	11,013	21.7	39.20	233
1983 (est.) [8]	12,668	[9] 22.0	[10] 43.00	[10] 253

[1] Outlays, including spending for benefits and administration.

[2] At the beginning of the fiscal year.

[3] The first fiscal year in which benefit and eligibility rules were, by law, nationally uniform and indexed for inflation.

[4] The first fiscal year in which food stamps were available nationwide.

[5] July through September 1976.

[6] The fiscal year in which the food stamp purchase requirement was eliminated, promoting increased participation among eligible households.

[7] Includes $206.5 million in funding for Puerto Rico's nutritional assistance block grant.

[8] Includes $825 million in funding for Puerto Rico's nutritional assistance block grant.

[9] Includes 1.4 million persons receiving cash nutritional aid in Puerto Rico.

[10] Does not reflect benefits in Puerto Rico.

Note: Allotment levels were indexed for inflation annually through calendar 1973, and semi-annually from January 1974 through calendar 1980. Since 1980, allotment levels have been indexed in January 1981, October 1982, and October 1983.

Compiled by the Congressional Research Service.

Section 10. Earned Income Tax Credit

The earned income tax credit (EITC), which was added to the Internal Revenue Code in 1975, is intended to give a cash income supplement to working parents with relatively low earnings. The earned income tax credit is a refundable credit. Thus, for tax filers whose income is too low to owe income taxes, or whose tax liability is smaller than their credit, the Internal Revenue Service makes a direct payment of the credit.

ELIGIBILITY

The credit is available to taxpayers who have children and whose adjusted gross income and earned income are both less than $10,000. Married couples must be eligible for a dependency exemption for a child, and unmarried taxpayers must maintain a household for a child. A dependency exemption is available only if the taxpayer provides more than half the support of the child, and a taxpayer is considered to maintain a household only if over half the household expenses are furnished by that individual. For this purpose, AFDC benefits are considered not to be provided or furnished by the taxpayer. Thus, if more than half of an individual's or couple's income is from AFDC or another source other than their own income or resources, the earned income credit may not be available.

To receive a credit, a person must file an income tax return at the end of the tax year and, if desired, may file an eligibility certificate with his employer in order to receive advance payments of the credit with his paycheck.

BENEFITS

The EITC equals 10 percent of the first $5,000 of earnings, including net earnings from self-employment, and thus may not exceed $500 per family. The size of the credit is unrelated to the number of a worker's dependents. Between earnings of $5,000 and $6,000, the maximum credit of $500 is received. For each dollar of adjusted gross income (or, if higher, earned income) above $6,000 the credit is reduced by 12.5 cents. As a result, it is not available after adjusted gross income equals or exceeds $10,000. Table 1 below shows the amount of the earned income tax credit by amount of earned income.

TABLE 1.—AMOUNT OF EITC BY EARNED INCOME LEVEL [1]

Amount of wages and self-employment income	Earned income tax credit
0	0
$1,000	$100
$2,000	200
$3,000	300
$4,000	400
$5,000	500
$6,000	500
$7,000	375
$8,000	250
$9,000	125
$10,000	0

[1] Assumes adjusted gross income does not exceed earned income.

INTERACTION WITH AFDC AND FOOD STAMPS

Under current AFDC law, the amount of the EITC is treated as earned income and may be imputed to the family even though it may not actually be received from the employer as an advance payment. Based upon some preliminary data compiled by the General Accounting Office in the States of New York, New Jersey and New Hampshire, approximately 1 percent of the total amount of EITC is received on an advance basis.

The treatment of EITC for purposes of AFDC and food stamp benefit computations has varied since inception of the credit. When enacted in 1975, EITC was not considered income in determining AFDC and food stamp benefits, and the credit could not be received on an advance basis. Beginning in January 1979 and prior to October 1981, EITC was treated as earned income when actually received. Receipt of the credit on an advance basis was authorized in July 1979.

Under current law, in determining earned income for AFDC, receipt of EITC on an advance basis must be imputed to a working AFDC recipient eligible for the credit regardless of whether he or she has applied for or receives advance payment (i.e., if the individual does not receive advance EITC payments, an amount equal to what it is estimated that he or she could receive as advance payment is counted as earned income). However, if the advance payment is not actually received by an individual, the AFDC agency may count it only after determining that the individual will be eligible to claim the EITC for the tax year, and can, in fact, receive it as an advance payment. In determining whether an individual will be eligible to receive the earned income credit, the agency must determine that the individual will meet the IRS eligibility criteria for receipt of the earned income credit and advance payments of the credit.

According to the Office of Family Assistance, based on case sample data for May 1982, a total of 63,000 AFDC cases, or one-third of all cases with earnings, involved counting of the EITC. It is not known how many of these cases involved actual receipt of the credit, as opposed to a presumption that the credit was received.

To describe the AFDC and EITC interaction more fully, let us take a simple example where a mother with one child is working at a full-time job at the minimum wage and continues to receive AFDC. At the beginning of the year, she is earning $581 per month but does not receive any EITC on an advance basis from her employer. The employer is withholding $10 per month of Federal income tax. The caseworker uses IRS rules to estimate that the mother will be eligible for the EITC. (Actual eligibility cannot be determined until after the end of the taxable year.) Using IRS tax tables, the caseworker imputes $31 of EITC per month as earned income and adjusts the AFDC and benefit amount appropriately. In July, the mother loses her job and begins to collect the full AFDC benefit amount.

At the end of the year, the mother receives an IRS check for $408. It includes $348 designated as EITC (10 percent of her total earnings for the year), and $60 as a refund of withheld taxes. The caseworker must reconcile any differences between the amount of the EITC assumed and actually received by the mother. State agency records show that $186 ($31 for 6 months) was assumed as EITC. This amount is subtracted from the actual amount of the credit received, $348, leaving $162 as the amount of the EITC refund not yet counted. This amount must be treated as earned income in the month of receipt, and the earnings disregards must be applied. Assuming in this case that the mother is not employed in that month, the caseworker simply subtracts $75 from $162, leaving $87, which is considered as a lump sum payment to be counted in determining the family's AFDC benefit for that month. Any excess of EITC over the grant would be carried forward and applied to the family's needs in the next month's benefit determination. (If the mother is employed in the month of receipt, she will be eligible for a disregard of child care costs—up to $160 a month per child—and may also receive a disregard of $30 and one-third of additional earnings, but only if she has not already used up her 4 months of eligibility for that disregard.)

Under Federal rules, the State has the option of treating a tax refund as either unearned income in the month of receipt or as a resource. If the refund ($60 in this case) is treated as unearned income, it would reduce the amount of the AFDC benefit on a dollar-for-dollar basis.

Food stamp rules do not have a similar requirement. In determining the food stamp benefit, the EITC would be counted as earned income for the month of receipt, if received on an advance basis or as an asset if received in a lump sum at the end of the year.

Data

For calendar year 1982, earned income tax credits totaled $1.764 billion, of which about $1.217 billion represented Treasury payments in excess of current year tax liability and $0.547 billion offset tax liability. Some 6.4 million families received the credit, which averaged $277 per family. Of total recipients, almost 5 million received direct EITC payments in the form of U.S. Treasury checks. Table 2 below shows the total amount of earned income credits received for each of the calendar years since the inception of the program, the number of recipient families, the amount of the credits received as Treasury checks and the average amount of the credit received per family.

TABLE 2.—TOTAL AMOUNT OF EITC, NUMBER OF FAMILIES RECEIVING THE CREDIT AND THE BUDGET OUTLAYS FOR CALENDAR YEARS 1975 THROUGH 1985

Calendar year to which credit applies	Total amount of EITC (in millions)	Number of families who received EITC (in thousands)	"Refunded" portion of credit [1] (in millions)	Average EITC per family
1975	$1,250	6,215	$900	$201
1976	1,295	6,473	890	200
1977	1,127	5,627	880	200
1978	1,048	5,192	801	202
1979	2,052	7,135	1,395	288
1980	1,986	6,954	1,370	286
1981	1,912	6,717	1,278	285
1982	1,764	6,357	1,217	277
1983 [2]	1,466	NA	1,110	NA
1984 [2]	1,349	NA	1,024	NA
1985 [2]	1,246	NA	988	NA

[1] This is the portion of the credit that exceeds tax liability, and it is treated as a budget outlay. The rest of the credit is classified as a "tax expenditure." All these credits were paid in the following year until 1979, when advance payments of the credit were permitted, by addition to the worker's paycheck.

[2] Projections.

NA—Not available.

Section 11. SSI Program Description

The supplemental security income (SSI) program is a federally administered income assistance program authorized by title XVI of the Social Security Act. Established by the 1972 amendments to the Act (Public Law 92-603) and begun in 1974, SSI provides monthly cash payments in accordance with uniform, nationwide eligibility requirements to needy aged, blind and disabled persons. The SSI program replaced the former Federal grants to the States for old-age assistance, aid to the blind and aid to the permanently disabled. These grants continue in Guam, Puerto Rico and the Virgin Islands. SSI, however, operates in the Northern Mariana Islands.

BASIC ELIGIBILITY

To qualify for SSI payments, a person must satisfy the program criteria for age, blindness or disability. The aged are defined as persons 65 years and older. The blind are individuals with 20/200 vision or less with the use of a correcting lens in the person's better eye, or those with tunnel vision of 20 degrees or less. Disabled individuals are those unable to engage in any substantial gainful activity by reason of a medically determined physical or mental impairment expected to result in death or that has lasted, or can be expected to last, for a continuous period of at least 12 months. Additionally, a child under age 18 who has an impairment of comparable severity with that of an adult may be considered disabled.

As explained later, disabled SSI recipients who lose eligibility for regular SSI benefits and for medicaid because their earnings have exceeded the "substantial gainful activity" earnings test, but who continue to be medically disabled, can continue to receive cash assistance and medicaid under certain conditions. This provision expired January 1, 1984, but is continuing to be applied by the Social Security Administration pending enactment of authorizing legislation.

FEDERAL BENEFIT LEVELS

The amount of monthly Federal SSI benefits is determined by the recipient's countable income, living arrangements and marital status. The calendar year 1984 maximum monthly SSI benefits are $314 for a single person and $472 for married couples. Benefits are indexed to the Consumer Price Index (CPI). Cost-of-living increases are provided annually in January and are increased by the same percentage as social security benefits. This occurs through a reference in the SSI law to the social security cost-of-living provision.

When an individual enters a hospital or other medical institution in which a major part of a bill is paid by the medicaid program, his monthly SSI benefit standard is reduced to $25, beginning with the first full calendar month the individual is in such institution. This amount is intended to take care of small personal expenses, with the cost of maintenance and medical care being provided through other programs. The annual cost-of-living increase for SSI does not apply to the $25 benefit standard and it has not been increased since SSI began in 1974. Approximately 211,000 SSI recipients received benefits in September 1983 on the basis of this benefit standard. For those individuals whose income from non-SSI sources exceeds the $25 benefit standard (including those who were receiving some SSI because their social security benefits are less than the SSI benefit standard), medicaid regulations require States to allow such individuals (and other non-SSI medicaid eligibles) to retain $25 a month of their income as a "personal needs allowance" when their income is applied, along with medicaid reimbursement, to pay for their institutional medical care.

If an SSI applicant or recipient is "living in the household of another and receiving support and maintenance in-kind," the value of such in-kind assistance is presumed to equal one-third of the regular Federal SSI benefit standard, and the Federal SSI benefit standard for such an individual is reduced accordingly. "Living in the household of another and receiving support and maintenance in-kind" is defined by regulations. The term excludes, among others, any applicant or recipient who is paying his pro rata share of the household's expenses.

In December 1982, 5.3 percent or 206,000 SSI recipients had their benefits determined on the basis of this "one-third reduction" benefit standard—two-thirds of whom were disabled.

An individual who is a resident or an inmate of a public institution is ineligible for SSI unless the institution is a facility approved for medicaid payments, is receiving such payments on behalf of the person, and these payments represent more than 50 percent of the cost of services provided by the facility to the person. SSI payments may be made to persons in publicly operated community residences serving no more than 16 persons. In addition, an amendment adopted in 1983 provides that temporary residents of public emergency shelters can receive SSI payments for up to 3 months in any 12-month period. Payments to an individual transferred from a former State program may be increased by $157 monthly to take into account an "essential person" living in the household. An essential person is generally an ineligible spouse or relative whose needs were considered in determining the requirements of an eligible individual under the former State program but who is not eligible for SSI. The following table shows the Federal SSI benefit levels:

TABLE 1.—FEDERAL SSI BENEFIT STANDARDS

[In dollars]

	Eligibility status					
	Single		Couple		Medicaid facilities	Essential person
	Own household	Another household	Own household	Another household		
Jan. 1974–June 1974	140.00	93.34	210.00	140.00	25.00	70.00
July 1974–June 1975	146.00	97.34	219.00	146.00	25.00	73.00
July 1975–June 1976	157.70	105.14	236.60	154.74	25.00	78.90
July 1976–June 1977	167.80	111.87	251.80	167.87	25.00	84.00
July 1977–June 1978	177.80	118.54	266.70	177.80	25.00	89.00
July 1978–June 1979	189.40	126.27	284.10	189.40	25.00	94.80
July 1979–June 1980	208.20	138.80	312.30	208.20	25.00	104.20
July 1980–June 1981	238.00	158.67	357.00	238.00	25.00	119.20
July 1981–June 1982	264.70	176.47	397.00	264.67	25.00	132.60
July 1982–June 1983	284.30	189.54	426.40	284.27	25.00	142.50
July 1983–Dec. 1983	304.30	202.88	456.40	304.27	25.00	152.50
Jan 1984–Dec. 1984	[1]314.00	209.34	[1]472.00	314.67	25.00	157.00

[1] Cost-of-living adjustments to Federal SSI benefit levels are rounded to the next lower whole dollar beginning with the increase effective January 1984.

Source: Office of Research, Statistics, and International Policy, Social Security Administration.

INCOME ELIGIBILITY

Under the program, $20 of monthly income from virtually any source (such as social security benefits, but *not* need-tested income such as veterans' pensions) is disregarded. In addition, the first $65 of monthly earned income plus one-half of remaining earnings are disregarded. For the blind and disabled only, the cost of an approved plan to achieve self-support is also disregarded. SSI recipients who receive benefits on the basis of blindness may also disregard work related expenses. For the disabled, only impairment related work expenses may be disregarded. Income received in sheltered workshops and work activity centers is considered earned income and qualifies for earned income disregards.

The value of in-kind assistance is counted as income unless such in-kind assistance is specifically disregarded by statute. Generally, in-kind assistance provided by or under the auspices of a federally assisted program, or by a State or local government (for example, nutrition, food stamps, housing or social services), will not be counted as income. However, if an SSI applicant or recipient is living in the household of another and receiving in-kind support and maintenance from him, the SSI benefit standard for such an individual will be reduced by one-third of the Federal SSI benefit standard.

In legislation enacted in April 1983, in-kind support and maintenance provided by a private nonprofit organization to aged, blind, or disabled individuals must be disregarded under the SSI program if the State determines that the assistance is provided on the basis of need. This provision expires September 30, 1984. Another temporary exclusion from income effective through June 1985 is certain types of assistance provided to help meet home energy needs. Assistance provided to an aged, blind, or disabled individual for the purpose of meeting home energy costs either in cash or in kind and which is furnished by a home heating oil or gas supplier or by a utility company is to be disregarded. Assistance for home energy costs provided in-kind by a private nonprofit organization is also excluded through June 1985.

As countable income (total income minus disregarded income) increases, a recipient's SSI payment level decreases. Eligibility for SSI ends when countable income equals the Federal benefit plus maximum State supplemental payment levels.

TABLE 2.—FEDERAL INCOME ELIGIBILITY CEILINGS UNDER SSI, JANUARY TO DECEMBER 1984

	Receiving only social security or other income other than wages		Receiving only wage income	
	Monthly	Annually	Monthly	Annually
Single	$334	$4,088	$713	$8,556
Couple	492	5,904	1,029	12,348

Source: Office of Research, Statistics, and International Policy, Social Security Administration.

RESOURCES

SSI eligibility is restricted to qualified persons who have counted assets of less than $1,500, or less than $2,250 in the case of married couples. In determining assets, a number of items are not included, such as the individual's home; life insurance policies with a total face value of $1,500 or less; and, within reasonable limits set by the Secretary of Health and Human Services, household goods, personal effects and an automobile. Regulations place a limit of $2,000 in equity value on excluded household goods and personal effects and exclude the first $4,500 in current market value of an auto (100 percent of the auto's value if it is used for medical treatment or employment or has been modified for use by a handicapped person). Assets, tools and other property essential to self-support of the blind or the disabled are also excluded.

In 1982, a provision was added to also exclude from counted resources the value of burial plots. In addition, to provide SSI applicants and recipients an alternative to the life insurance exclusion previously described, the 1982 amendment allows for the exclusion of up to $1,500 of separately identifiable funds set aside for burial expenses.

DEEMING OF INCOME AND RESOURCES

The income of an ineligible spouse who lives with an adult SSI applicant or recipient is considered in determining the eligibility and amount of payment to the individual. The income of the parents of a disabled child under the age of 18 is also considered in determining the eligibility and payment for the child. In determining the amount of the income of the ineligible spouse or parent to be deemed to the SSI applicant or recipient, the needs of the spouse or parent and other children in the household are taken into account. In addition, the SSI earned income disregards are applied in determining the amount of income to be deemed to the SSI applicant or recipient. For example, if the countable income of an ineligible spouse exceeds the difference between the SSI benefit standard for an individual and a couple in that State (including State supplementation) the excess is deemed available to the SSI applicant or recipient.

For example, in a State with no State supplementation the deeming procedure would work as follows for an ineligible spouse earning $500 per month living with an eligible individual with $180 of social security benefits:

Earned income of ineligible individual	$500.00
Less $65	−65.00
Less one-half of remaining earnings ($435)	217.50
Countable income	217.50
Less difference between SSI payment standard for an individual and couple	158.00
Amount deemed to eligible individual	59.50

Thus, the benefit for the eligible individual will be $94.50 [$314.00−($180.00 less $20 exclusion)−$59.50]. Without deeming, the individual would have received $154.00 [$314.00−($180.00 less $20 exclusion)]. The $20 exclusion can only be used once and is first applied to unearned income.

Resources of the spouse or parent may also be deemed to a recipient when they are in excess of the amount that would be excluded if the spouse or parent were applying for SSI payments. Parental resources are not deemed to a child who has attained age 18.

In determining the eligibility of aliens applying for SSI, the income and resources of their sponsors are considered. After allowances for the needs of the sponsors and his family, the remainder is deemed available for the support of the alien applicant for a 3-year period after entry into the United States. This provision does not apply to those who become blind or disabled after entry, to refugees, and to persons granted political asylum.

This process of deeming involved 60,000 recipients in December 1980. Two-thirds of those with deemed income were adults, the majority of whom were disabled. The average monthly amount of deemed income was $125.73; $125.29 for adults and $126.66 for children.

STATE SUPPLEMENTATION

State supplementary payments are required by law to maintain income levels of former public assistance recipients transferred to the Federal SSI program. States have the option to choose to supplement the Federal SSI benefit standard for both former public assistance recipients and other SSI recipients. At the present time, all but six States provide some form of optional State supplementation. Those six States are: Kansas, Mississippi, Ohio, Tennessee, Texas, and West Virginia. States may elect to administer their supplementary payments themselves or may contract with the Social Security Administration for Federal administration. Seventeen States have contracted the Social Security Administration to administer the State optional supplementation program. Since the SSI program began in 1974, six States have shifted from Federal to State administration of their optional State supplementation program.

Approximately 40 percent of the SSI recipients receive a State supplement. For those SSI recipients, other than those receiving a State supplement because they are living in some type of group living arrangement, the amount of State supplement ranged from $1.70 a month to $252 a month for an individual. At present, 25 States and the District of Columbia supplement the Federal standard for individuals living independently.

Table 13 shows the total amount of federally administered State supplementation by State. Table 14 shows the number of recipients and the amount of State administered State supplementation by State.

Table 3 for individuals living independently and table 4 for couples illustrate the maximum potential payment from Federal SSI, State supplements and food stamps for individuals, with no income, by State. These tables assume that the elderly individual or couple receive an excess shelter deduction of $125 and an excess medical cost deduction of $6 in the food stamp program. Approximately 65 percent of the elderly in the food stamp program take a shelter deduction, and it is estimated that approximately 16 percent of the elderly are allowed a deduction of $125 or more. For those individuals or couples with no shelter deduction, the monthly food stamp and combined benefit amount would be reduced by $38.00. There is no ceiling on the excess shelter deduction for aged or disabled persons.

STATE SSI SUPPLEMENT LEVELS OVER TIME

Throughout the entire period from July 1975 to January 1984, 23 States have provided supplemental SSI payments to aged individuals living independently, and 23 States continuously supplemented SSI payments to aged couples living independently. Four States increased their SSI supplements faster than inflation.

The 23 States which have supplemented SSI payments for aged individuals living independently since 1975 averaged a 27 percent decrease in their supplements in constant dollars from July 1975 to January 1984. During this period Colorado, Michigan, New Hampshire, and Oklahoma were the only States which increased supplements faster than inflation (see table 19).

The District of Columbia, South Dakota, Utah, and Wyoming all began supplementing SSI payments to individuals between 1975 and 1980. During the period from July 1980 to January 1984 only one State, New Jersey, kept supplements constant with inflation while the median SSI supplement paid by the States dropped from 42 in July 1980 to 36 in January 1984.

Of the 23 States which have supplemented since July 1975 the SSI payments for aged couples living independently, only Alaska, Colorado, Michigan, and Oklahoma kept their supplemental increases equivalent to or higher than inflation. Overall, these 23 States averaged a 29 percent decrease (in constant dollars) in the supplements awarded. During the period July 1980 to January 1984, the District of Columbia, New Hampshire, Utah, and Wyoming began supplementing SSI payments to aged couples living independently (see table 20).

Interaction With Other Programs (Medicaid and Food Stamps)

In most States, a person receiving a Federal or State SSI payment is automatically eligible for medicaid.

If a State's medicaid eligibility standards in effect in 1972 were more restrictive than the current SSI eligibility standards, the State may maintain its more restrictive requirements. (However, medicaid applicants in such States may deduct their medical expenses from their countable income for purposes of eligibility determinations.)

In the following States, SSI recipients are not immediately eligible for medicaid:

Connecticut
Hawaii
Illinois
Indiana
Minnesota
Missouri
Nebraska
New Hampshire
North Carolina
North Dakota
Ohio
Oklahoma
Utah
Virginia

Except in California and Wisconsin, SSI beneficiaries may qualify for food stamps if they meet the food stamp income and assets requirements. In these two States, the food stamp program is "cashed out"—in other words, these States have chosen to increase State SSI supplemental payments in lieu of food stamps.

The interaction with the food stamp program has important financial implications for a State which desires to increase the income of its SSI recipients by $1.00. Because food stamps are reduced by $.30 for each additional $1.00 of SSI income including State supplements, the State must expend $1.43 to obtain an effective $1.00 increase in SSI recipients' total income.

TABLE 3.—MAXIMUM POTENTIAL SSI AND FOOD STAMP BENEFITS FOR AGED INDIVIDUALS LIVING INDEPENDENTLY, JANUARY 1984 [1]

State	Maximum SSI benefit	Food stamp benefit [2]	Combined benefits	
			Monthly	Annual
Alabama	$314.00	$47.00	$361.00	$4,332.00
Alaska	[3] 566.00	55.00	621.00	7,452.00
Arizona	314.00	47.00	361.00	4,332.00
Arkansas	314.00	47.00	361.00	4,332.00
California	477.00	(4)	477.00	5,724.00
Colorado	372.00	30.00	402.00	4,824.00
Connecticut*	[5] 480.30	10.00	490.30	5,883.60
Delaware	314.00	47.00	361.00	4,332.00
District of Columbia	329.00	43.00	372.00	4,464.00
Florida	314.00	47.00	361.00	4,332.00
Georgia	314.00	47.00	361.00	4,332.00
Hawaii	318.90	105.00	423.90	5,086.80
Idaho	[6] 402.00	21.00	423.00	5,076.00
Illinois*	[7] 314.00	47.00	361.00	4,332.00
Indiana	314.00	47.00	361.00	4,332.00
Iowa	314.00	47.00	361.00	4,332.00
Kansas	314.00	47.00	361.00	4,332.00
Kentucky	314.00	47.00	361.00	4,332.00
Louisiana	314.00	47.00	361.00	4,332.00
Maine	324.00	44.00	368.00	4,416.00
Maryland	314.00	47.00	361.00	4,332.00
Massachusetts	442.00	10.00	452.00	5,424.00
Michigan	338.30	40.00	378.30	4,539.60
Minnesota	[8] 349.00	37.00	386.00	4,632.00
Mississippi	314.00	47.00	361.00	4,332.00
Missouri	314.00	47.00	361.00	4,332.00
Montana	314.00	47.00	361.00	4,332.00
Nebraska	388.50	25.00	413.50	4,962.00
Nevada	350.40	36.00	386.40	4,636.80
New Hampshire	[9] 341.00	39.00	380.00	4,560.00
New Jersey	343.17	[10] 44.00	387.17	4,646.04
New Mexico	314.00	47.00	361.00	4,332.00
New York	374.91	29.00	403.91	4,846.92
North Carolina	314.00	47.00	361.00	4,332.00
North Dakota	314.00	47.00	361.00	4,332.00
Ohio	314.00	47.00	361.00	4,332.00
Oklahoma	383.00	27.00	410.00	4,920.00
Oregon	315.70	47.00	362.70	4,352.40
Pennsylvania	346.40	38.00	384.40	4,612.80

TABLE 3.—MAXIMUM POTENTIAL SSI AND FOOD STAMP BENEFITS FOR AGED INDIVIDUALS LIVING INDEPENDENTLY, JANUARY 1984 [1]—Continued

State	Maximum SSI benefit	Food stamp benefit [2]	Combined benefits	
			Monthly	Annual
Rhode Island	$365.98	$32.00	$397.98	$4,775.76
South Carolina	314.00	47.00	361.00	4,332.00
South Dakota	[11] 329.00	43.00	372.00	4,464.00
Tennessee	314.00	47.00	361.00	4,332.00
Texas	314.00	47.00	361.00	4,332.00
Utah	324.00	44.00	368.00	4,416.00
Vermont	[12] 364.00	32.00	396.00	4,752.00
Virginia	314.00	47.00	361.00	4,332.00
Washington	[12] [13] 352.30	36.00	388.30	4,659.60
West Virginia	314.00	47.00	361.00	4,332.00
Wisconsin	413.70	([4])	413.70	4,964.40
Wyoming	[14] 334.00	41.00	375.00	4,500.00

*Data obtained from State by CRS.

[1] In most States these maximums apply also to blind or disabled SSI recipients who are living in their own households; but some States provide different benefit schedules for each category.

[2] For one-person households, maximum food stamp benefits from Oct. 1983 through Sept. 1984 are $76 in the 48 contiguous States and the District of Columbia, $112 in Alaska, and $108 in Hawaii.

For the 48 contiguous States and D.C., the calculation of benefits assumes: (1) a "standard" deduction of $89 per month, (2) an excess shelter deduction of $125 per month (the maximum allowable for nonelderly, nondisabled households); and (3) an excess medical expense deduction of $6 monthly (estimated from 1978 medical expense information). If smaller excess shelter costs were assumed, food stamp benefits would be smaller. For Alaska and Hawaii, higher deduction levels were used, as provided by law ($370 and $306, respectively, for combined standard and excess shelter allowance).

[3] Less if shelter costs less than $35 monthly.

[4] SSI recipients in California and Wisconsin are ineligible for food stamps. These States provide increased cash aid in lieu of stamps.

[5] Estimated maximum paid for aged individual with average shelter cost of $200 monthly. Higher if shelter costs are higher or special needs exists. State decides benefits on a case-by-case basis. Estimate provided by State official. (Assumed shelter cost produces only $22 excess shelter deduction for food stamp calculation.)

[6] State disregards $20 of SSI payment in determining the State supplementary payment.

[7] Estimated usual maximum paid for aged individual. Assumes shelter allowance of $97. State decides benefits on case-by-case basis. Estimate provided by State official.

[8] Payment level for Hennepin County. State has 10 geographic payment levels.

[9] State disregards $13 of an individual's income in determining the supplementary payment. The State supplementary payment amount is rounded to next higher dollar.

[10] Benefits shown include $16.68 per case for energy aid, disregarded by the food stamp program.

[11] State supplement paid only if recipient has no income other than Federal SSI payment.

[12] State has two geographic payment levels—highest are shown in table.

[13] Sum paid in King, Pierce, Kitsap, Snohomish, and Thurston Counties.

[14] State supplement paid only if recipient has less than $20 income.

Source: Table prepared by the Congressional Research Service (CRS) on the basis of data from the Social Security Administration (except for Connecticut and Illinois).

TABLE 4.—MAXIMUM POTENTIAL SSI AND FOOD STAMP BENEFITS FOR AGED COUPLES LIVING INDEPENDENTLY, JANUARY 1984 [1]

State	Maximum SSI benefit	Food stamp benefit [2]	Combined benefits	
			Monthly	Annual
Alabama	$472.00	$63.00	$535.00	$6,420.00
Alaska	[3] 830.00	67.00	897.00	10,764.00
Arizona	472.00	63.00	535.00	6,420.00
Arkansas	472.00	63.00	535.00	6,420.00
California	886.00	([4])	886.00	10,632.00
Colorado	744.00	10.00	754.00	9,048.00
Connecticut*	[5] 760.60	10.00	770.60	9,247.20
Delaware	472.00	63.00	535.00	6,420.00
District of Columbia	502.00	54.00	556.00	6,672.00
Florida	472.00	63.00	535.00	6,420.00
Georgia	472.00	63.00	535.00	6,420.00
Hawaii	480.80	147.00	627.80	7,533.60
Idaho	[6] 530.00	46.00	576.00	6,912.00
Illinois*	[7] 494.45	56.00	550.45	6,605.40
Indiana	472.00	63.00	535.00	6,420.00
Iowa	472.00	63.00	535.00	6,420.00
Kansas	472.00	63.00	535.00	6,420.00
Kentucky	472.00	63.00	535.00	6,420.00
Louisiana	472.00	63.00	535.00	6,420.00
Maine	487.00	58.00	545.00	6,540.00
Maryland	472.00	63.00	535.00	6,420.00
Massachusetts	673.72	10.00	683.72	8,204.64
Michigan	508.40	52.00	560.40	6,724.80
Minnesota	[8] 538.00	43.00	581.00	6,972.00
Mississippi	472.00	63.00	535.00	6,420.00
Missouri	472.00	63.00	535.00	6,420.00
Montana	472.00	63.00	535.00	6,420.00
Nebraska	579.50	31.00	610.50	7,326.00
Nevada	546.46	41.00	587.46	7,049.52
New Hampshire	[9] 493.00	57.00	550.00	6,600.00
New Jersey	495.28	[10] 61.00	556.28	6,675.36
New Mexico	472.00	63.00	535.00	6,420.00
New York	548.03	40.00	588.03	7,056.36
North Carolina	472.00	63.00	535.00	6,420.00
North Dakota	472.00	63.00	535.00	6,420.00
Ohio	472.00	63.00	535.00	6,420.00
Oklahoma	616.00	20.00	636.00	7,632.00
Oregon	472.00	63.00	535.00	6,420.00
Pennsylvania	520.70	48.00	568.70	6,824.40

TABLE 4.—MAXIMUM POTENTIAL SSI AND FOOD STAMP BENEFITS FOR AGED COUPLES LIVING INDEPENDENTLY, JANUARY 1984 [1]—Continued

State	Maximum SSI benefit	Food stamp benefit [2]	Combined benefits	
			Monthly	Annual
Rhode Island	570.30	33.00	603.30	7,239.60
South Carolina	472.00	63.00	535.00	6,420.00
South Dakota	[11] 487.00	58.00	545.00	6,540.00
Tennessee	472.00	63.00	535.00	6,420.00
Texas	472.00	63.00	535.00	6,420.00
Utah	492.00	57.00	549.00	6,588.00
Vermont	[12] [13] 563.00	36.00	599.00	7,188.00
Virginia	472.00	63.00	535.00	6,420.00
Washington	[12] [14] 508.40	52.00	560.40	6,724.80
West Virginia	472.00	63.00	535.00	6,420.00
Wisconsin	633.00	(4)	633.00	7,596.00
Wyoming	[15] 512.00	51.00	563.00	6,756.00

*Data obtained from State by CRS.

[1] In most States these maximums apply also to blind or disabled SSI recipients who are living in their own households; but some States provide different benefit schedules for each category.

[2] For two-person households, maximum food stamp benefits from Oct. 1983 through Sept. 1984 are $139 in the 48 contiguous States and the District of Columbia, $205 in Alaska, and $198 in Hawaii.

For the 48 contiguous States and D.C., the calculation of benefits assumes: (1) a "standard" deduction of $89 per month, (2) an excess shelter deduction of $125 per month (the maximum allowable for nonelderly, nondisabled households); and (3) an excess medical expense deduction of $6 monthly (estimated from 1978 medical expense information). If smaller excess shelter costs were assumed, food stamp benefits would be smaller. For Alaska and Hawaii, higher deduction levels were used, as provided by law ($370 and $306, respectively, for combined standard and excess shelter allowance).

[3] Less if shelter costs less than $35 monthly.

[4] SSI recipients in California and Wisconsin are ineligible for food stamps. These States provide increased cash aid in lieu of stamps.

[5] Estimated maximum paid for aged couple with average shelter cost of $200 monthly. Higher if shelter costs are higher or special need exists. State decides benefits on a case-by-case basis. Estimate provided by State official. (Assumed shelter cost produces no excess shelter cost deduction for food stamp calculation.)

[6] State disregards $20 of SSI income in determining the State supplementary payment amounts.

[7] Estimated usual maximum paid for aged couple. Assumes shelter allowance of $97. State decides benefits on case-by-case basis. Estimate provided by State official.

[8] Payment level for Hennepin County. State has 10 geographic payment levels.

[9] State disregards $20 of a couple's SSI income in determining supplementary payment amounts. State supplementary payment amounts are rounded to next higher dollar.

[10] Benefits shown include $16.68 per case for energy aid, disregarded by the food stamp program.

[11] State supplement paid only if recipient has no income other than Federal SSI payment.

[12] State has two geographic payment levels—highest levels are shown in table.

[13] Sum paid only in Chittenden County.

[14] Sum paid in King, Pierce, Kitsay, Snohomish, and Thurston Counties.

[15] State supplement paid only if couple has less than $40 income.

Source: Table prepared by the Congressional Research Service (CRS) on the basis of data from the Social Security Administration (except for Connecticut and Illinois).

COMPARISON OF SSI PAYMENT LEVELS TO POVERTY THRESHOLDS

Table 5 compares the Federal SSI benefit for a single individual to the poverty threshold (census). From 1975 to 1982, this has remained around 71 percent. Both the poverty threshold and the benefit level are indexed to the Consumer Price Index. (The percentage increase for the poverty threshold and the SSI benefit increase varies slightly because of a difference in the method of calculation.) As a result of Public Law 98-21, the SSI benefit levels were increased by $20 per month for individuals and $30 per month for couples in July 1983. They were further increased by 3.5 percent in January 1984. This explains why SSI benefits, in relation to the poverty level, increased to approximately 75 percent.

For individuals receiving unearned income such as social security the amount of benefits is $240 per year more than the SSI benefit.

Table 6 presents the same information for a couple. The SSI benefit for a couple is approximately 90 percent of the poverty threshold. The combined SSI plus social security benefit (or other unearned income) decreased from 92 percent to 89 percent of the poverty threshold from 1975 to 1982 but as a result of Public Law 98-21 the percentage becomes approximately 92 percent in 1983 and 94 percent in 1984.

TABLE 5.—COMPARISON OF COMBINED BENEFITS TO POVERTY THRESHOLDS FOR ELIGIBLE INDIVIDUALS RECEIVING SSI; SSI AND SOCIAL SECURITY; AND SSI, SOCIAL SECURITY AND FOOD STAMPS FOR SELECTED YEARS FROM 1975 TO 1984

	1975	1977	1979	1980	1981	1982	1983 [1] (projected)	1984 [2] (projected)
Poverty threshold	2,572	2,895	3,472	3,941	4,360	4,630	[1] 4,777	[2] 5,001
Federal SSI benefits:								
Dollars per year	1,822	2,074	2,386	2,677	3,016	3,294	3,532	3,768
Percent of poverty	70.8	71.6	68.7	67.9	69.2	71.1	73.9	75.3
Federal SSI and social security:								
Dollars per year	2,062	2,314	2,626	2,917	3,256	3,534	3,772	4,008
Percent of poverty	80.2	79.9	75.6	74.0	74.7	76.3	79.0	80.1
Federal SSI, social security, and food stamps: [3]								
Dollars per year	2,350	2,614	2,986	3,345	3,664	3,906	4,104	4,294
Percent of poverty	91.4	90.3	86.0	84.9	84.0	84.4	85.9	85.9

[1] Factor used to update 1982 threshold: 1.0318 (Congressional Budget Office).

[2] Factor used to project 1984 threshold 1.0469 (CBO).

[3] In computing the food stamp benefit for 1975 and 1977, average deductions among all elderly households are assumed. For later years, the applicable standard deduction plus average shelter and medical deductions among all elderly households is assumed.

Source: Congressional Research Service.

TABLE 6.—COMPARISON OF COMBINED BENEFITS TO POVERTY THRESHOLDS FOR ELIGIBLE COUPLES RECEIVING SSI; SSI AND SOCIAL SECURITY; AND SSI, SOCIAL SECURITY AND FOOD STAMPS FOR SELECTED YEARS FROM 1975 TO 1984

	1975	1977	1979	1980	1981	1982	1983[1] (projected)	1984[2] (projected)
Poverty threshold	3,232	3,637	4,364	4,954	5,500	5,840	[1]6,026	[2]6,309
Federal SSI benefits:								
Dollars per year	2,734	3,111	3,578	4,016	4,524	4,940	5,297	5,664
Percent of poverty	84.6	85.5	82.0	81.1	82.3	84.6	87.9	89.8
Federal SSI and social security:								
Dollars per year	2,974	3,351	3,818	4,256	4,764	5,180	5,537	5,904
Percent of poverty	92.0	92.1	87.5	85.9	86.6	88.7	91.9	93.6
Federal SSI, social security, and food stamps: [3]								
Dollars per year	3,430	3,999	4,406	4,906	5,412	5,792	6,104	6,393
Percent of poverty	106.1	101.0	101.0	99.0	98.4	99.2	101.3	101.3

[1] Factor used to update 1982 threshold: 1.0318 (Congressional Budget Office).

[2] Factor used to project 1984 threshold: 1.0469 (CBO).

[3] In computing the food stamp benefit, for 1975 and 1977, average deductions among all elderly households are assumed. For later years, the applicable standard deduction plus average shelter and medical deductions among all elderly households is assumed.

Source: Congressional Research Service.

FINANCING

Federal SSI payments are financed from general funds of the Treasury. Federal benefit payments for 1983 were $8.724 billion; estimated payments for 1984 are $8.554 billion; and payments of $9.365 billion are projected for fiscal year 1985. Table 7 describes direct program cost by activities for 1983 and estimated cost for 1984 and 1985. The reason the amount of Federal SSI benefits for fiscal year 1983 is over $400 million more than 1984 is that 13 payments, rather than the normal 12, occurred in fiscal year 1983.

TABLE 7.—SSI FEDERAL PROGRAM COST BY ACTIVITIES

[In millions of dollars]

Program by activities	1983	1984 (estimate)	1985 (estimate)
Direct program:			
Federal benefit payments	7,852	7,420	8,400
Comparable benefit level [1]	(7,220)	(8,052)	(8,400)
Federal hold-harmless payments	13	5	0
Beneficiary services [2]	8	96	5
Payments to the trust funds for administrative costs [3]	830	963	936
Demonstration	0	1	2
Federal fiscal liability	20	69	21
Total Federal direct program	8,724	8,554	9,365

[1] The 1983 total includes 13 months of benefit payments; 1984 reflects 11 months of benefit payments; and 1985 has the normal 12 months of payments. The comparable level is based on 12 benefit months in each year.

[2] Includes rehabilitation services provided to blind and disabled individuals, and monitoring of treatment of drug addicts and alcoholics.

[3] Includes cost of administering Federal SSI payments and Federally administered State supplementation. These are not available separately.

Source: Office of Research, Statistics, and International Policy, Social Security Administration.

Table 8 illustrates the total amount of Federal and State benefit payments from calendar year 1970 to 1987. From 1970 to 1973, these were the benefits under the old-age assistance, aid to the blind, and aid to the permanently and totally disabled programs. From 1984 to 1986, these are estimated payment projections. In calendar year 1983, Federal benefit payments totaled $7.494 billion and State payments of $2.008 billion.

TABLE 8.—FEDERAL AND STATE BENEFIT PAYMENTS UNDER SSI AND PRIOR ADULT ASSISTANCE PROGRAMS, 1970–83 AND ESTIMATED FEDERAL PAYMENTS, FISCAL YEARS 1984–1985

[In millions of dollars]

Calendar year [1]	Total	Federal payments	Total State payments	State payments	
				Federally administered	State administered
1970	2,939	1,801	1,138		
1971	3,206	(2)	(2)		
1972	3,392	1,993	1,398		
1973	3,418	1,987	1,432		
1974	5,246	3,833	1,413	1,264	149
1975	5,878	4,314	1,565	1,403	162
1976	6,066	4,512	1,554	1,388	166
1977	6,306	4,703	1,603	1,431	172
1978	6,552	4,881	1,671	1,491	180
1979	7,075	5,279	1,796	1,590	207
1980	7,941	5,866	2,074	1,848	226
1981	8,593	6,518	2,076	1,839	237
1982	8,981	6,907	2,074	1,798	276
1983 [3]	9,501	7,494	2,008	1,730	277
1984 [4]		[4] 7,420		[4] 1,500	
1985 [4]		[4] 8,400		[4] 1,525	

[1] 1970–1973 refers to Old-Age Assistance, Aid to the Blind and Aid to the Permanently and Totally Disabled; 1974–1983 refers to Supplemental Security Income; and 1984–1985 refers to Estimated Federal SSI payments.

[2] Data not available.

[3] Partly estimated.

[4] Fiscal year estimated payments.

Source: Office of Research, Statistics, and International Policy, and Office of Financial Resources, Social Security Administration.

Number of Recipients and Average Payments

Table 9 illustrates the growth and decline in the number of individuals receiving assistance under the federally administered SSI program and prior program. The total number of individuals receiving assistance was 3.1 million in 1970; this increased to 4.3 million in 1975 and has declined thereafter and is projected to be 3.9 million in 1987. The number of aged receiving SSI has declined sharply since 1975 from 2.3 million (or 2.5 million if disabled over age 65 are counted as aged) to 1.5 million individuals in 1983. The number of disabled receiving assistance increased sharply from 1.0 million in 1970 to 2.0 million in 1975. The number of disabled is projected to be around 2.5 million individuals in 1987.

The number of individuals receiving only State SSI benefits has steadily declined since 1978.

TABLE 9.—NUMBER OF PERSONS RECEIVING FEDERALLY ADMINISTERED SSI PAYMENTS, 1974–1987; AND ADULT ASSISTANCE UNDER PRIOR PROGRAMS, 1970–1973

[In thousands]

Year [1]	Total [2]	Aged [3]	Blind or disabled		Federal SSI [6]	State supplemental only [7]
			Total [4]	65 and older [5]		
1970	3,098	2,082	1,016			
1971	3,172	2,024	1,148			
1972	3,182	1,934	1,248			
1973	3,173	1,820	1,353			
1974	3,996	2,286	1,710	(8)	(9)	(9)
1975	4,314	2,307	2,007	201	3,893	421
1976	4,236	2,148	2,088	249	3,799	437
1977	4,238	2,051	2,187	302	3,778	460
1978	4,217	1,968	2,249	344	3,755	462
1979	4,150	1,872	2,278	386	3,687	462
1980	4,142	1,808	2,334	419	3,682	460
1981	4,019	1,678	2,341	443	3,590	429
1982	3,858	1,549	2,309	462	3,473	384
1983	3,901	1,515	2,386	485	3,590	311
1984 [10]	3,970	1,567	2,403		3,660	310
1985 [10]	4,019	1,556	2,463		3,716	303
1986 [10]	3,960	1,468	2,492		3,660	296
1987 [10]	3,937	1,396	2,541		3,645	292

[1] Data are for December of each year except for 1984–1987 where the data is for March.

[2] All persons with Federal SSI payments and/or Federally administered State supplementation; 1974–1987. For 1970–1973 the total is the number of recipients under the Old-Age Assistance and Aid to the Blind and Aid to the Permanently and Totally Disabled Programs.

[3] For 1970–1973, this column is the number of recipients under the Old-Age Assistance program.

[4] For 1970–1973, this column is the number of recipients under the Aid to the Blind and Aid to the Permanently and Totally Disabled program.

[5] For 1974–1983, this is the number of age 65 and older individuals who first received SSI benefits because of being blind or disabled.

[6] All persons with Federal SSI payments include those receiving Federal payments only or both Federal SSI and Federally administered State supplementation.

[7] Data for November 1983 are the latest available.

[8] Data not available for December 1974. In January 1974, there were 87,000 blind and disabled recipients aged 65 and older.

[9] Data not available.

[10] For 1984 to 1987, these data are projections under current law.

Source: Office of Research, Statistics, and International Policy, and Office of Financial Resources, Social Security Administration.

Table 10 illustrates a similar pattern over the period from December 1975 to June 1982. The 65-and-over recipient population has declined by 19.7 percent while the disabled population under age 65 has increased by 4.5 percent, leaving a downward trend (9.6 percent) in the number of recipients.

TABLE 10.—NUMBER OF PERSONS RECEIVING FEDERALLY ADMINISTERED SSI PAYMENTS IN DECEMBER 1975 AND SEPTEMBER 1983 BY REASON FOR ELIGIBILITY AND AGE, NUMBER AND PERCENTAGE CHANGE DURING THE 7¾-YR. PERIOD

[In thousands]

Reason for eligibility and age	December 1975	September 1983	Change between 1975 and 1983	
			Number	Percent
Reason for eligibility:				
Aged	2,307	1,528	−779	−33.8
Blind	74	79	5	6.8
Under 18	3	6	3	100.0
18 to 21	4	5	1	25.0
22 to 64	46	45	−1	−2.2
65 and over	22	23	1	4.5
Disabled	1,933	2,292	360	18.6
Under 18	104	191	87	83.7
18 to 21	90	122	32	35.6
22 to 64	1,559	1,517	−42	−2.7
65 and over	179	462	283	158.1
Age:				
Under 18	107	197	90	84.1
18 to 21	93	127	34	36.6
22 to 64	1,605	1,562	−43	−2.7
65 and over	2,508	2,013	−495	−19.7
Total	4,314	3,898	−415	−9.6

Source: Office of Research, Statistics, and International Policy, Social Security Administration.

In November 1983, monthly payments to aged individuals averaged $157.91, and payments to disabled individuals averaged $224.72. The average Federal SSI payment was $138.20 and $218.37 for aged and disabled individuals respectively.

TABLE 11.—NUMBER OF PERSONS RECEIVING FEDERALLY ADMINISTERED PAYMENTS AND AVERAGE MONTHLY AMOUNT, BY REASON FOR ELIGIBILITY AND TYPE OF PAYMENT, NOVEMBER 1983

Type of payment	Total	Aged	Blind	Disabled
	Number of persons			
Total	3,901,368	1,519,218	[1]79,061	[2]2,303,089
Federal SSI payments [3]	3,590,182	1,343,516	71,186	2,175,480
Federal SSI payments only	2,344,093	939,461	42,586	1,362,046
Federal SSI and State supplementation	1,246,089	404,055	28,600	813,434
State supplementation [4]	1,557,275	579,757	36,475	941,043
State supplementation only	311,186	175,702	7,875	127,609

TABLE 11.—NUMBER OF PERSONS RECEIVING FEDERALLY ADMINISTERED PAYMENTS AND AVERAGE MONTHLY AMOUNT, BY REASON FOR ELIGIBILITY AND TYPE OF PAYMENT, NOVEMBER 1983—Continued

Type of payment	Total	Aged	Blind	Disabled
	Average monthly amount			
Total	$211.12	$157.91	$255.06	$244.72
Federal SSI payments	188.31	138.20	215.75	218.37
State supplementation	94.78	93.55	131.78	94.10

[1] Includes approximately 23,000 persons aged 65 and over.

[2] Includes approximately 462,000 persons aged 65 and over.

[3] Includes persons with Federal SSI payments only, and Federal SSI and federally administered State supplementation, data partly estimated.

[4] Includes persons with federally administered State supplementation only, and Federal SSI and federally administered State supplementation, data partly estimated.

Source: Office of Research, Statistics, and International Policy, Social Security Administration.

CHARACTERISTICS OF RECIPIENTS

Eighty-nine percent of all SSI recipients lived in their own households in December 1980, including 91 percent of aged, 90 percent of blind and 88 percent of disabled persons (table 12). A greater proportion of disabled persons lived in another's household (6 percent), or were in medicaid institutions (6 percent).

TABLE 12.—NUMBER AND PERCENTAGE DISTRIBUTION OF PERSONS RECEIVING FEDERALLY ADMINISTERED PAYMENTS, BY REASON FOR ELIGIBILITY AND LIVING ARRANGEMENTS, SEPTEMBER 1983

Living arrangement	Total	Reason for eligibility		
		Aged	Blind	Disabled
Total number	3,898,256	1,527,500	78,820	2,291,936
Total percent	100.0	100.0	100.0	100.0
Own household [1]	89.0	90.9	89.5	87.7
Another's household	5.5	4.2	6.4	6.3
Institutional care covered by medicaid	5.4	4.8	4.1	5.9

[1] "Own household" applies to adults who are sole or joint heads of households, blind and disabled children in their parent's household, and persons in domiciliary-care facilities.

Source: Office of Research, Statistics and International Policy, Social Security Administration.

Receipt of income

About two-thirds of SSI recipients were also receiving other income in May 1982, some from more than one source (table 13). Social security benefits represented the largest single income source. Slightly under one-half of all SSI recipients had OASDI benefits, including 70 percent of aged, 38 percent of blind, and 36 percent of disabled recipients.

TABLE 13.—NUMBER OF PERSONS RECEIVING FEDERALLY ADMINISTERED PAYMENTS AND PERCENT IN CONCURRENT RECEIPT OF INCOME AND AVERAGE MONTHLY AMOUNT, BY REASON FOR ELIGIBILITY AND TYPE OF INCOME, SEPTEMBER 1983

Type of income	Total	Reason for eligibility		
		Aged	Blind	Disabled
Total number	3,898,256	1,527,500	78,820	2,291,936
	Percent with other income			
Social security benefits	49.6	70.2	37.9	36.3
Other unearned income	10.4	13.0	11.1	8.7
Earned income	3.3	1.4	6.3	4.4
	Average monthly amount			
Social security benefits	$232	$235	$246	$227
Other unearned income	83	73	84	93
Earned income	113	116	427	98

Source: Office of Research, Statistics, and International Policy, Social Security Administration.

Unearned income other than social security was reported by 10 percent of the SSI population, the majority of whom were getting either support and maintenance in-kind or veterans' benefits (table 14). Three percent of the recipient caseload had earned income. Blind recipients were more likely to have earned income (6 percent).

For those individuals with social security benefits, the average was $232 per month. Similarly, for those with other unearned income, the average was $83 per month and for the 3.3 percent with earned income, the average was $113 per month.

TABLE 14.—NUMBER OF PERSONS RECEIVING FEDERALLY ADMINISTERED SSI PAYMENTS AND UNEARNED INCOME (OTHER THAN SOCIAL SECURITY) AND AVERAGE MONTHLY UNEARNED INCOME BY TYPE OF INCOME, SEPTEMBER 1983

Type of income	Number [1]	Average [2]
Total	406,814	$83
Veterans' benefits	94,519	124
Railroad retirement	5,563	239
Black lung benefits	1,227	179
Employment pensions	25,771	94
Workmen's compensation	1,418	155
Support and maintenance in kind	136,255	68
Support from absent parents	12,389	98
Asset income	76,363	14
Assistance based on need	7,035	87
Other	46,274	126

[1] With unearned income other than social security benefits.

[2] Monthly amount of unearned income.

Source: Office of Research, Statistics, and International Policy, Social Security Administration.

Race and sex

Sixty-four percent of the SSI caseload in December 1980 was white and 28 percent black. Persons of other races made up 3 percent, while race was not reported for the remaining 5 percent.

Women accounted for two-thirds of the SSI caseload, including 73 percent of aged recipients, 60 percent of those disabled, and 57 percent of the blind. These figures are consistent with data showing women to have a higher life expectancy—77.2 years in 1978, compared to 69.5 years for men,[1] but lower income levels—$6,772 compared to $15,350 for men.[2]

SPECIAL SSI BENEFITS, CONTINUED MEDICAID SERVICES, AND RELATED PROVISIONS FOR THE WORKING DISABLED

The Disability Amendments of 1980 (Public Law 96-265) amended the SSI law to include provisions intended to lessen the work disincentives for SSI disabled recipients who risked the loss of SSI and medicaid when they increased their work effort and earnings in spite of the continuation of their disability.

Under the SSI and disability insurance criteria for determining disability in the Social Security Act, the Secretary of Health and Human Services is required to prescribe the criteria for determining when employment or earnings from employment demonstrate an individuals ability to engage in substantial gainful activity (SGA), and is, therefore, no longer disabled. Current regulations have established that average counted earnings of over $300 a month (over an extended period, generally not less than 6 months) indicate that an individual is able to engage in SGA. There is also a "trial work period" for disabled SSI recipients and disability insurance recipients during which time an individual's employment activities and earnings are not used as criteria for determining whether an individual meets the disability criteria.

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[1] U.S. Bureau of the Census, Statistical Abstract of the United States: 1980 (101st edition), Washington, D.C., 1980, table 106, p. 72.

[2] U.S. Bureau of the Census, Current Population Reports, Series P-60, No. 127, "Money Income and Poverty Status of Families and Persons in the United States: 1980" (Advance Data from the March 1981 Current Population Survey), U.S. Government Printing Office, Washington, D.C., 1981, table 14, p. 24.

The 1980 amendments added the following provisions to deal with such types of work disincentives faced by the disabled:

Impairment related work expenses

A permanent change was made in SSI and disability insurance law to provide for a deduction from earnings for purposes of determing whether an individual is engaging in substantial gainful activity of the cost to individuals of extraordinary impairment-related work expenses. This includes, for example, attendant care costs, the cost of medical devices, equipment, and services and drugs necessary to control an impairment. These deductions are allowed regardless of whether these items are also needed to enable him or her to carry out his normal daily functions. The disregard is applied only where the individual paid the cost of the impairment-related expense. In addition, impairment-related work expenses are disregarded in determining the monthly SSI payment of a disabled SSI recipient. In June 1983, 1,300 disabled and 2,500 SSI recipients were credited with impairment related work expenses.

Special SSI benefits

A new section 1619(a) of the SSI law, which expired on January 1, 1984, provided that an individual who lost eligibility for SSI because he or she worked and demonstrated the ability to perform SGA, but who continued to have a disabling impairment, might become eligible for special SSI benefits until their countable income reached the SSI income disregard "breakeven point." In a State with no supplementation, as shown in table 2, this earned income eligibility limit is $713 per month in 1984. People who received the special SSI benefits continued to be eligible for medicaid on the same basis as regular SSI recipients. States had the option of supplementing the Federal benefits standard for those entitled to benefits under this provision. SSA is continuing the special benefit status for persons on the rolls despite the expiration of authority.

The initial information available from the Social Security Administration showed that in May 1982, 238 SSI recipients were receiving these special SSI benefits. Over 50 percent of such individuals are under age 30 compared to 16 percent of all adult disabled SSI recipients being under the age of 30.

Continuation of medicaid for the working disabled

Under a new section 1619(b), which also expired on January 1, 1984, an individual could continue to be eligible for medicaid even if their earnings took them past the SSI income disregard "breakeven point." This special eligibility status, under which the individual was considered a blind or disabled individual receiving SSI benefits for purposes of medicaid eligibility, applied as long as the individual: (1) continued to be blind or had a disabling impairment; (2) except for earnings, continued to meet all the other requirements for SSI eligibility; (3) would be seriously inhibited from continuing to work by the termination of eligibility for medicaid services; and (4) had earnings that were not sufficient to provide a reasonable equivalent of the benefits (SSI, State supplementary payments, and medicaid) that would have been available if he or she did not have those earnings.

In making an initial determination under the fourth criterion, the Social Security Administration decided to compare the individual's gross earnings to a "threshold" amount; i.e., the average expenditures for medicaid benefits for disabled SSI cash recipients in the individual's State of residence. According to the Social Security Administration, from data obtained in both May and August of 1982, approximately 5,200 former SSI recipients retained their medicaid eligibility under the provisions of section 1619(b). Similar to the section 1619(a) population, 48 percent of such individuals were age 22-29 compared to 16 percent of all disabled adult recipients of SSI.

Extended trial work period

The 1980 amendments made a permanent change in the trial work period provision for both the SSI disabled and the disability insurance program. The amendment extended the trial work period from the previous 9 months—plus 3 months of continued benefits—to 24 months. In the last 12 months of the 24-month period, an individual who is performing SGA immediately following the 9-month trial work period would not receive disability insurance benefits or regular SSI benefits while engaging in SGA, but would automatically be reinstated to active disability insurance or regular SSI status if earnings fall below the SGA level and they are otherwise eligible for benefits.

Pending legislation

On November 18, 1983, the Senate passed and sent back to the House H.R. 3391, with an amendment, to extend through December 31, 1986, section 1619 to provide for the continuation of SSI and/or medicaid benefits for the disabled who are able to work in spite of their impairment. The House Committee on Ways and Means included a 30-month extension through June 30, 1986, of section 1619 as a provision of the disability amendments that were added to the Tax Reform Act of 1983 (H.R. 4170).

RECENT LEGISLATIVE ACTIONS

The CBO recently estimated (August 1983) that as a result of legislative changes enacted during 1981, 1982, and early 1983 (including the Social Security Amendments of 1983), SSI outlays will be $1.4 billion or 4 percent greater than prior law from 1982 to 1985. The major changes are shown in table 15 below.

TABLE 15.—MAJOR LEGISLATIVE CHANGES IN THE SSI PROGRAM FROM 1981 TO 1983 (JANUARY 1984 ESTIMATE)

[Minus (−) means decrease in outlays; in millions of dollars]

	Fiscal year—					
	1982	1983	1984	1985	1986	1987
1981:						
Retrospective accounting and monthly reporting	37	20	21	17	14	NA
Limit reimbursements for vocational rehabilitation services	−20	−18	−15	−11	−6	NA
Eliminate OASDI minimum benefit for future beneficiaries	15	33	48	56	59	NA
1982:						
Prorate benefits to application date		−30	−25	−30	−30	−30
Round benefits down		0	−15	−20	−20	−20
Coordinate with OASDI COLA		−30	−32	−30	−30	−26
Phase out hold harmless		−30	−37	−45	−45	−45
Exclude burial plots and contracts		5	5	5	5	5
Modify mandatory pass through		0	0	0	0	0
Credit States for unnegotiated checks		0	0	1	1	1
Exclude home energy assistance from countable income		1	2	2	0	0
Food stamp impact of SSI provision		10	13	15	15	15
1983:						
SSI notification		0	65	95	90	90
SSI increases of $20 per month for single; $30 per month for couples		255	750	855	885	920
SSI eligibility for temporary residents of emergency shelters		1	3	3	3	3
Disregard in-kind assistance provided by nonprofit organizations		1	2	0	0	0
Food stamp impact of SSI provisions		−40	−170	−190	−195	−205
Medicaid impact of SSI provisions		0	40	70	75	75

NA=Not available.

TABLE 16.—NUMBER OF PERSONS RECEIVING FEDERALLY ADMINISTERED SSI PAYMENTS BY STATE, NOVEMBER 1983

State	Total	Aged	Blind	Disabled
Total[1]	3,901,368	1,519,218	79,061	2,303,089
Alabama[2]	127,881	65,492	1,898	60,491
Alaska[2]	3,095	1,121	59	1,915
Arizona[2]	29,125	9,937	598	18,590
Arkansas	71,537	35,868	1,378	34,291
California	652,481	266,532	18,280	367,669
Colorado[2]	28,383	10,185	414	17,784
Connecticut[2]	23,902	6,386	464	17,052
Delaware	6,878	2,047	160	4,671
District of Columbia	14,721	3,879	205	10,637
Florida	170,794	77,558	2,872	90,364
Georgia	148,091	62,055	2,843	83,193
Hawaii	9,990	4,432	169	5,389
Idaho[2]	7,585	2,230	124	5,231
Illinois[2]	119,457	29,371	2,093	87,993
Indiana[2]	40,579	11,673	1,184	27,722
Iowa	25,484	9,099	1,041	15,,344
Kansas	19,556	6,012	330	13,216
Kentucky[2]	92,564	35,148	2,062	55,354
Louisiana	123,216	52,631	2,071	68,514
Maine	20,745	8,195	296	12,254
Maryland	47,049	13,717	716	32,616
Massachusetts	108,521	53,441	4,925	50,155
Michigan	110,459	29,791	1,981	78,687
Minnesota[2]	29,845	10,026	640	19,179
Mississippi	109,104	53,424	1,797	53,883
Missouri[2]	77,133	30,723	1,246	45,164
Montana	6,699	1,815	131	4,753
Nebraska[2]	13,049	4,201	227	8,621
Nevada	6,890	3,244	453	3,193
New Hampshire[2]	5,298	1,609	110	3,579
New Jersey	84,903	28,871	1,152	54,880
New Mexico[2]	24,620	9,247	487	14,886
New York	335,866	113,399	4,040	218,427
North Carolina[2]	132,058	54,163	2,902	74,993
North Dakota[2]	5,845	2,506	81	3,258
Ohio	115,236	27,439	2,379	85,418
Oklahoma[2]	59,176	26,762	975	31,439
Oregon[2]	22,968	6,547	519	15,902
Pennsylvania	153,835	46,207	3,046	104,582

TABLE 16.—NUMBER OF PERSONS RECEIVING FEDERALLY ADMINISTERED SSI PAYMENTS BY STATE, NOVEMBER 1983—Continued

State	Total	Aged	Blind	Disabled
Rhode Island	14,429	5,041	219	9,169
South Carolina [2]	81,087	33,517	1,899	45,671
South Dakota	7,886	3,171	140	4,575
Tennessee	124,421	51,224	2,017	71,180
Texas [3]	244,770	125,881	4,360	114,529
Utah [2]	7,822	1,996	186	5,670
Vermont	8,741	3,042	121	5,578
Virginia [2]	79,320	30,155	1,443	47,722
Washington	43,605	12,188	642	30,775
West Virginia [2]	39,510	10,981	638	27,891
Wisconsin	62,761	24,121	994	37,646
Wyoming [2]	1,770	621	36	1,113
Unknown	15	1	....	14
Other areas:				
Northern Mariana Islands [3]	613	326	18	269

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[1] Includes persons with Federal SSI payments and/or federally administered State supplementation, unless otherwise indicated.

[2] Data for Federal SSI payments only. State has State-administered supplementation.

[3] Data for Federal SSI payments only; State supplementary payments not made.

TABLE 17.—SUPPLEMENTAL SECURITY INCOME: TOTAL PAYMENTS, FEDERAL SSI PAYMENTS, AND FEDERALLY ADMINISTERED STATE SUPPLEMENTARY PAYMENTS, BY STATE, FISCAL YEAR 1983

[In thousands]

State	Total	Federal SSI	State supplementation
Total	$8,944,604	[1] $7,225,263	[2] $1,719,341
Alabama	234,878	234,878	
Alaska	6,886	6,886	
Arizona	66,405	66,405	
Arkansas	122,895	122,858	37
California	2,084,686	949,212	1,135,474
Colorado	55,973	55,973	
Connecticut	51,604	51,604	
Delaware	13,858	13,441	417
District of Columbia	37,793	33,837	3,956
Florida	374,296	374,296	
Georgia	278,842	278,842	
Hawaii	24,695	20,592	4,103
Idaho	14,423	14,423	
Illinois	258,314	258,314	
Indiana	77,230	77,230	
Iowa	43,227	42,046	1,181
Kansas	34,597	34,552	45
Kentucky	189,221	189,221	
Louisiana	251,221	251,156	65
Maine	34,342	29,814	4,528
Maryland	102,332	102,226	106
Massachusetts	258,345	149,101	109,244
Michigan	270,012	213,731	56,281
Minnesota	50,408	50,408	
Mississippi	207,242	207,206	36
Missouri	151,086	151,086	
Montana	13,060	12,266	794
Nebraska	23,806	23,806	
Nevada	14,230	11,744	2,486
New Hampshire	10,466	10,466	
New Jersey	209,350	171,774	37,576
New Mexico	50,418	50,418	
New York	903,838	689,430	214,408
North Carolina	254,658	254,658	
North Dakota	10,057	10,057	
Ohio	246,689	246,682	7

TABLE 17.—SUPPLEMENTAL SECURITY INCOME: TOTAL PAYMENTS, FEDERAL SSI PAYMENTS, AND FEDERALLY ADMINISTERED STATE SUPPLEMENTARY PAYMENTS, BY STATE, FISCAL YEAR 1983—Continued

[In thousands]

State	Total	Federal SSI	State supplementation
Oklahoma	$109,890	$109,890	
Oregon	45,818	45,818	
Pennsylvania	365,621	306,955	$58,666
Rhode Island	30,714	23,334	7,380
South Carolina	152,542	152,542	
South Dakota	13,307	13,273	34
Tennessee	240,943	240,943	
Texas	434,380	434,380	
Utah	14,912	14,912	
Vermont	19,298	13,657	5,641
Virginia	152,192	152,192	
Washington	100,141	83,936	16,205
West Virginia	88,423	88,423	
Wisconsin	140,408	79,418	[3] 60,990
Wyoming	3,098	3,098	
Other areas:			
Northern Mariana Islands	1,673	1,673	

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[1] Federal payments of $179,000 not reported by State.

[2] State payments reduced by $319,000 to reflect returned checks and overpayment refunds in some States where an amount is not shown.

[3] Includes Federal contribution to State supplementation—$13.3 million.

TABLE 18.—NUMBER OF RECIPIENTS [1] AND TOTAL EXPENDITURES UNDER STATE ADMINISTERED STATE SUPPLEMENTATION, FISCAL YEAR 1983 [2]

State	Expenditures (in thousands)	Recipients
Alabama	$12,516	19,470
Alaska [3]	8,039	3,839
Arizona [3]	1,680	2,269
Colorado	42,509	34,693
Connecticut	25,929	13,023
Florida	4,080	7,947
Idaho [3]	3,335	2,504
Illinois	26,762	29,316
Indiana	604	435
Kentucky	10,695	7,688
Maryland	1,408	665
Minnesota [3]	13,144	9,981
Missouri [3]	8,052	17,048
Nebraska	5,314	7,373
New Hampshire	7,754	4,895
New Mexico	242	268
North Carolina	27,262	11,199
North Dakota [4]	13,518	82
Oklahoma	37,318	53,148
Oregon	13,473	13,183
South Carolina	2,655	2,040
South Dakota	487	317
Utah	716	6,004
Virginia	9,508	4,001
Wyoming [3]	168	712
Total	277,170	252,100

[1] As of September 1983.

[2] Excludes data for Iowa, Louisiana, and Ohio.

[3] Data partly estimated.

[4] Expenditure data reflects payments for mandatory and optional supplementation; recipient data reflects mandatory supplementation only.

Source: Office of Supplemental Security Income, Social Security Administration.

TABLE 19.—STATE SSI SUPPLEMENTS FOR AGED INDIVIDUALS WITHOUT COUNTABLE INCOME LIVING INDEPENDENTLY

State	July 1975	July 1980	Jan. 1984	Percent increase (constant dollars) [1]	
				1980–84	1975–84
Alaska [2]	142	235	252	−13	−14
California	101	164	163	−19	−14
Colorado	27	55	58	−14	15
Connecticut [3]	NA	NA	NA	...	...
District of Columbia	0	15	15	−18	...
Hawaii	17	15	5	−73	−84
Idaho	63	74	88	−3	−25
Illinois [3]	NA	NA	NA	...	...
Maine	10	10	10	−19	−47
Massachusetts	111	137	128	−24	−38
Michigan	12	24	24	−18	7
Minnesota [4]	31	34	35	−16	−40
Nebraska	67	75	74	−20	−41
Nevada	55	47	36	−38	−65
New Hampshire	12	46	27	−52	20
New Jersey	24	23	29	3	−36
New York	61	63	61	−21	−47
Oklahoma	27	79	69	−29	36
Oregon	17	12	2	−86	−94
Pennsylvania	20	32	32	−19	−15
Rhode Island	31	42	52	−1	−10
South Dakota	0	15	15	−18	...
Utah	0	10	10	−19	...
Vermont [5]	29	41	50	−1	−8
Washington [6]	36	43	38	−28	−44
Wisconsin	70	100	100	−19	−24
Wyoming	0	20	20	−18	...
Median	27	42	36	−19	−20

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[1] The percentage decrease in constant dollars were computed by inflating July, 1975 and July, 1980 to January, 1984 by the CPI-U price index. A projection of 304 was assumed for January, 1984.

[2] Less if shelter costs less than $35 monthly.

[3] State decides benefit on a case-by-case basis. It is impossible to come up with a valid average of the supplements paid by the State.

[4] Payment level for Hennepin County. State has 10 geographic payment levels.

[5] State has two geographic payment levels—highest levels are shown in table. Sum paid only in Chittenden County.

[6] State has two geographic payment levels—highest levels are shown in table. Sum paid in King, Pierce, Kitsay, Snohomish, and Thurston Counties.

TABLE 20.—STATE SSI SUPPLEMENTS FOR AGED COUPLES WITHOUT COUNTABLE INCOME LIVING INDEPENDENTLY

State	July 1975	July 1980	Jan. 1984	Percent increase (constant dollars) [1]	
				1980–84	1975–84
Alabama	9	0	0		−100
Alaska [2]	183	338	358	−14	3
California	251	389	414	−13	−12
Colorado	133	229	272	−3	9
Connecticut [3]	NA	NA	NA		
District of Columbia	0	30	30	−18	
Hawaii	28	24	9	−69	−83
Idaho	49	80	58	−41	−37
Illinois [3]	NA	NA	NA		
Maine	15	15	15	−18	−47
Massachusetts	173	214	201	−23	−38
Michigan	18	36	36	−19	7
Minnesota	38	44	66	22	−7
Nebraska	67	114	100	−23	−14
Nevada	106	90	74	−33	−63
New Hampshire	0	42	21	−59	
New Jersey	13	12	23	56	−5
New York	76	79	76	−22	−47
Oklahoma	54	158	144	−26	42
Oregon	17	10	0	−100	−100
Pennsylvania	30	49	49	−18	−13
Rhode Island	59	79	98	1	−11
South Dakota	0	15	15	−18	
Utah	0	20	20	−18	
Vermont [5]	61	76	91	−2	−20
Washington [6]	40	44	36	−33	−52
Wisconsin	105	161	161	−18	−18
Wyoming	0	40	40	−19	
Median	40	47	53	−18	−16

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[1] The percentage decrease in constant dollars were computed by inflating July, 1975 and July, 1980 to January, 1984 by the CPI–U price index. A projection of 304 was assumed for January, 1984.

[2] Less if shelter costs less than $35 monthly.

[3] State decides benefit on a case-by-case basis. It is impossible to come up with a valid average of the supplements paid by the State.

[4] Payment level for Hennepin County. State has 10 geographic payment levels.

[5] State has two geographic payment levels—highest levels are shown in table. Sum paid only in Chittenden County.

[6] State has two geographic payment levels—highest levels are shown in table. Sum paid in King, Pierce, Kitsay, Snohomish, and Thurston Counties.

APPENDIX H. LOW-INCOME HOME ENERGY ASSISTANCE PROGRAM (LIEAP)

Since 1977, the Federal Government has provided assistance to low-income households to help them deal with high energy prices. During fiscal year 1981, the Home Energy Assistance Act of 1980 (title III of Public Law 96-232, the Crude Oil Windfall Profit Tax Act of 1980) authorized a program of block grants to the States to provide energy assistance to low-income families. In fiscal year 1981, $1.85 billion was appropriated for the program.

As part of the Omnibus Budget Reconciliation Act of 1981 (Public Law 97-35) the Low-Income Home Energy Assistance Act of 1981 authorized the Secretary of Health and Human Services to make grants to States, in fiscal years 1982-84, to assist eligible households to meet the costs of home energy. Appropriations for fiscal years 1982 and 1983 amounted to $1.875 and $1.975 billion, respectively. There is no State matching requirement. H.R. 3913 (Public Law 98-139), signed into law in October 1983, appropriated $1.875 billion for the low-income home energy assistance program for fiscal year 1984.

ALLOTMENTS TO STATES AND TERRITORIES

State allocations are determined on the basis of the percentage of funds each State received for fiscal year 1981 under the Home Energy Assistance Act of 1980. The law provides discretion to the Secretary of Health and Human Services (HHS) to apportion between one-tenth and one-half of 1 percent of the funds available in the fiscal year to the territories. Table 1 shows the allotments to the States for fiscal years 1981, 1982, 1983, and 1984.

Indian tribes can receive direct funding under a State's allocation if the Secretary of Health and Human Services determines that the tribe would be better served. In fiscal year 1982, for example, a total of 126 Indian tribes and tribal organizations located in 23 States received LIEAP grants directly from HHS.

Up to 25 percent of a State's allotment may be held by the State for use in the following fiscal year. The amount reserved does not change, in any way, the State's subsequent fiscal year allocation. Amounts above 25 percent that are not expended may be reallocated by the Secretary. States have the authority to transfer up to 10 percent of their allotment to one or any combination of the block grants for: community services; title XX social services; preventive health services; primary health care; and maternal and child health services. In fiscal year 1983, 32 States reported to a HHS phone survey that they planned to transfer some portion of their LIEAP funds to other block grants (see table 2). No State reported plans to transfer funds into LIEAP from other block grants.

As is the case with the 25-percent carryover authority, if a State chooses to transfer up to 10 percent of its allotment to other block grants, the transfer would not affect the computation of the State's allotment under the energy assistance program.

TABLE 1.—LOW-INCOME ENERGY ASSISTANCE PROGRAM STATE ALLOTMENTS

[In thousands of dollars]

States	Fiscal year—			
	1981 [1]	1982 [2]	1983 [3]	1984 [4]
Alabama	$15,674	$16,005	$16,855	$16,084
Alaska	7,505	6,506	7,062	10,267
Arizona	6,426	6,998	7,383	7,779
Arkansas	11,960	12,268	12,928	12,273
California	84,088	85,886	90,439	86,288
Colorado	29,319	30,074	31,692	30,086
Connecticut	38,247	39,233	41,344	39,248
Delaware	5,077	5,207	5,488	5,209
District of Columbia	5,940	6,093	6,421	6,095
Florida	25,921	25,436	26,804	25,450
Georgia	19,609	20,115	21,197	20,122
Hawaii	1,975	2,026	2,135	2,026
Idaho	11,181	11,639	12,256	11,735
Illinois	105,862	108,591	114,433	108,632
Indiana	47,431	49,167	51,812	49,185
Iowa	29,470	34,845	36,720	34,858
Kansas	15,515	15,974	16,820	16,008
Kentucky	24,943	25,586	26,963	25,596
Louisiana	16,024	16,403	17,277	16,444
Maine	27,513	25,165	26,629	25,426
Maryland	29,285	30,040	31,656	30,052
Massachusetts	82,707	78,460	82,670	78,509
Michigan	111,598	103,003	108,578	103,136
Minnesota	72,409	74,276	78,272	74,304
Mississippi	13,930	13,764	14,510	13,790
Missouri	37,885	43,375	45,709	43,392
Montana	11,350	11,107	11,704	13,765
Nebraska	13,799	17,211	18,151	17,239
Nevada	3,560	3,635	3,841	3,653
New Hampshire	14,481	14,855	15,654	14,860
New Jersey	71,025	72,722	76,679	72,883
New Mexico	8,867	9,154	9,474	9,738
New York	231,907	237,759	250,589	237,975
North Carolina	34,561	35,452	37,359	35,465
North Dakota	7,995	13,197	13,907	14,953

TABLE 1.—LOW-INCOME ENERGY ASSISTANCE PROGRAM STATE ALLOTMENTS—Continued

[In thousands of dollars]

States	Fiscal year—			
	1981 [1]	1982 [2]	1983 [3]	1984 [4]
Ohio	$93,651	$96,065	$101,233	$96,101
Oklahoma	15,998	14,535	14,811	14,785
Oregon	22,723	23,309	24,563	23,318
Pennsylvania	124,568	127,780	134,654	127,828
Rhode Island	12,594	12,918	13,613	12,923
South Carolina	13,822	12,769	13,456	12,774
South Dakota	10,241	10,440	11,011	12,144
Tennessee	25,267	25,918	27,313	25,928
Texas	41,261	42,325	44,602	42,341
Utah	13,289	13,537	14,293	13,981
Vermont	10,854	11,134	11,733	11,138
Virginia	39,019	36,593	38,561	36,606
Washington	33,104	37,325	38,963	38,354
West Virginia	16,507	16,932	17,843	16,939
Wisconsin	61,679	66,859	70,456	66,884
Wyoming	3,561	5,596	5,897	5,598
U.S. total	1,813,177	1,855,262	1,954,413	1,870,117

[1] Includes reallocation of funds and crisis intervention funds but excludes payments to Indian tribal organizations. Source: Low Income Energy Assistance Program; Report to Congress for Fiscal Year 1981; Department of Health and Human Services.

[2] Includes reallocation of funds and crisis intervention funds but excludes payments to Indian tribal organizations. Source: Low Income Energy Assistance Program; Report to Congress for Fiscal Year 1982; Department of Health and Human Services.

[3] Source: Department of Health and Human Services, memorandum of July 25, 1983, "Results of the Summer Telephone Survey on the FY 1983 Low Income Home Energy Assistance Program."

[4] Estimated total allotment for each State based on original fiscal year 1981 State allotment shares. Source: Department of Health and Human Services Office of Energy Assistance memorandum of July 25, 1983.

ELIGIBILITY AND TYPES OF ASSISTANCE

States have considerable discretion under the program to determine eligibility criteria and the types of assistance to be provided to low-income households to deal with high energy costs.

Federal funds may be used to make payments to households in which one or more individuals are receiving AFDC, food stamps, SSI or certain veterans' benefits or to households with incomes which do not exceed the greater of 150 percent of the poverty level or 60 percent of a State's median income. See table 1 of Appendix K for poverty level information.

In fiscal year 1983, 30 States reported eligibility tests below the Federal maximum. Seventeen States reported using AFDC, food stamps, SSI or veterans' pensions for categorical LIEAP eligibility.

At the option of the State, the Social Security Administration will make direct payments to qualified SSI recipients. SSI recipients are not eligible for direct assistance if they live in a medicaid institution, live in the household of another resulting in a one-third reduction in Federal benefits or are disabled or blind children living at home.

The term "household" for the program means any individual or group of individuals who are living together as one economic unit and for whom residential energy is customarily purchased in common or who make undesignated payments for energy in the form of rent.

States are to provide assurances that, in a manner consistent with the efficient and timely payment of benefits, the highest level of assistance will be furnished to those households which have the lowest income and the highest energy costs in relation to income. To help ensure the success of this aspect of the program, 32 States considered vulnerability to energy costs in determining eligibility, 12 States considered the assets of potential recipients in fiscal year 1983.

In conducting its outreach activities under the program, States are to give priority to making households with elderly or handicapped individuals aware of the assistance available. States take a variety of approaches to insure that the elderly and the handicapped have knowledge of the program and access to its benefits. Among them are toll-free information hotlines, special application periods, transportation to LIEAP application offices, and home visits.

States may use LIEAP funds to provide assistance in meeting home heating or cooling expenses as well as low-cost weatherization of homes (up to 15 percent of a States' allotment). Table 2 provides information on the level of State support for these types of assistance in fiscal year 1983.

States have considerable discretion over the method of providing assistance. In addition to making payments directly to eligible households, a State may choose to use low-income energy assistance funds to pay home energy suppliers directly. States must provide assurances that suppliers will charge the eligible households the difference between the amount of the assistance and the actual cost of home energy. Also, States may use Federal funds to provide tax credits to energy suppliers who supply home energy to low-income households at reduced rates.

Home energy assistance payments cannot be considered as the income or resources of an eligible household for any purpose under Federal or State law, specifically including any law relating to taxation, public assistance or welfare programs. A provision in the Agriculture and Food Act of 1981 (Public Law 97-98) excludes as income for the food stamp program any payments or allowances made under any Federal law for the purpose of providing energy assistance. Also excluded from being counted as income under the Food Stamp program are payments or allowances made under any State or local law for energy assistance, if they are designated as energy assistance by State and local legislative body and determined by the Secretary of Agriculture to be provided on a seasonable basis, with certain exceptions, for an aggregate period not to exceed 6 months in any year.

TABLE 2.—FISCAL YEAR 1983 LOW INCOME ENERGY ASSISTANCE PROGRAM—STATE PROGRAM FEATURES

	Eligibility (heating only)		Use of funds (other than heating assistance) [1]			Estimated average heating benefit (per household)	Estimated households served (heating only)
	Categorical eligibility (AFDC, food stamps, SSI, or veterans pensions)	Income eligibility below Federal maximum	Transfer to other block grants (thousands)	Cooling assistance (thousands)	Weatherization (thousands)		
Alabama	X		$1,685		$2,528	$43	195,000
Alaska			0		920	525	13,500
Arizona	X	X	0		610	96	38,000
Arkansas		X	1,293	$1,200	2,344	116	60,962
California	X	X	9,044	10,400	9,044	161	258,273
Colorado	X	X	3,100		2,000	293	65,000
Connecticut	X		0		3,000	472	54,000
Delaware	X	X	0		792	270	13,000
District of Columbia			0	578	963	362	10,450
Florida		X	2,680		[3] 4,021	136	132,595
Georgia		X	1,980		2,483	147	107,973
Hawaii	X	X	0		300	42	29,000
Idaho		X	1,226		1,838	235	34,927
Illinois	X	X	7,600		17,200	218	374,186
Indiana		X	0		7,772	225	168,339
Iowa			0		5,508	299	95,358
Kansas		X	1,682	3,101	2,523	188	43,324
Kentucky		X	2,953		4,044	223	39,961
Louisiana	X	X	1,700	8,000	0	54	126,280
Maine	X	X	0		4,364	435	52,000
Maryland			600		4,514	255	82,449
Massachusetts			0		3,900	490	165,000
Michigan	X		10,800		5,000	125	600,000
Minnesota			5,000		8,600	450	123,500
Mississippi		X	0	700	[3] 2,176	140	71,232
Missouri			4,571		2,790	200	155,451
Montana	X	X	600		1,755	417	18,000
Nebraska		X	1,815	1,700	900	337	37,239
Nevada			384	218	350	226	10,383
New Hampshire	X	X	0		1,210	442	26,881
New Jersey	X	X	7,580	250	2,500	290	210,000
New Mexico		X	0		0	60	48,886
New York	X		25,000		20,047	190	1,068,000
North Carolina		X	2,241		2,250	202	144,460
North Dakota			1,391		1,716	555	16,162
Ohio			0		15,185	127	380,692
Oklahoma		X	0	2,000	2,222	157	69,647
Oregon		X	2,456		3,267	194	96,373
Pennsylvania			0		14,800	293	390,000
Rhode Island			150		680	224	31,200
South Carolina		X	0	[2] 269	2,018	120	72,034
South Dakota			1,101		1,613	391	17,802

TABLE 2.—FISCAL YEAR 1983 LOW INCOME ENERGY ASSISTANCE PROGRAM—STATE PROGRAM FEATURES—Continued

	Eligibility (heating only)		Use of funds (other than heating assistance) [1]			Estimated average heating benefit (per household)	Estimated households served (heating only)
	Categorical eligibility (AFDC, food stamps, SSI, or veterans pensions)	Income eligibility below Federal maximum	Transfer to other block grants (thousands)	Cooling assistance (thousands)	Weatherization (thousands)		
Tennessee		X	$2,420	$392	$3,930	$167	126,748
Texas	X	X	0	$14,300	2,000	72	287,000
Utah			1,429		2,144	211	44,761
Vermont			25		1,760	380	22,150
Virginia			0		1,200	310	111,500
Washington		X	3,902		4,830	222	114,204
West Virginia		X	1,784		2,141	160	70,810
Wisconsin	X		6,600		6,100	309	192,581
Wyoming		X	350		0	440	14,285

[1] Figures reflect total expenditure anticipated at time of survey.

[2] Includes crisis assistance for the State.

[3] Includes administrative costs.

Source: Data compiled from telephone interviews with State offices in June 1983 conducted by the Department of Health and Human Services. All information is provisional and subject to change.

PLANNING AND ADMINISTRATION

No more than 10 percent of a State's allotment can be used for administrative costs.

States are required to submit an application for funds to the Secretary of Health and Human Services. As a part of the annual application, the chief executive officer of the State is required to make certain assurances, and include a plan detailing how these assurances would be carried out. These assurances relate to eligibility requirements, uses to be made of the funds, and planning and administrative requirements under the law.

States must provide for public participation and public hearings in development of the State plan, including making it available for public inspection and allowing public comment on the plan. At least once a year States are required to engage an independent entity to prepare an audit of expenditures under this program. States would be required to repay amounts found not to have been spent in accordance with the act, or the Secretary may offset these amounts against future payments. The Comptroller General would be required to evaluate whether expenditures are consistent with the act.

To the extent it is necessary to designate local administrative agencies in order to carry out the purposes of the program, States would be required to give special consideration in the designation to any local public or private nonprofit agency, or successor agency, which was receiving Federal funds under any low-income energy assistance or weatherization program on the date the program was enacted (August 13, 1981). The State must first determine that the agency meets program and fiscal requirements.

The Low-Income Home Energy Assistance Act also contains nondiscrimination requirements that fair administrative hearings be provided for individuals whose claim for assistance is denied or not acted on with reasonable promptness and limits on the use of grants for construction, except as related to weatherization activities.

The Secretary of Health and Human Services, after consultation with the Secretary of Energy, is to provide for the collection of certain data, including the characteristics of the households assisted by the program, the costs and types of fuel used and the types of assistance provided by States under the program. The Secretary is to submit an annual report to the Congress containing a summary of the data collected.

Section 12. Title XX Social Service Programs

In 1972, Congress established a $2.5 billion annual ceiling on States' entitlements to Federal social service funds authorized under the various public assistance titles of the Social Security Act with each State's share determined on the basis of the proportion of its population to the total population of all the States.

In 1974, Congress enacted, effective October 1, 1975, a new title XX of the Social Security Act which retained the $2.5 billion ceiling on Federal expenditures for social services and the formula for allocating funds to States. Title XX requires that each service provided under a State's plan be directed toward achieving at least one of the following goals for the recipient: achieving or maintaining economic self support or self sufficiency; preventing or remedying abuse or neglect of children and adults unable to protect their own interest; providing community based or home based care; or enabling individuals to secure appropriate institutional care when necessary.

In fiscal year 1981 the entitlement ceiling for allocation to States for social services was $2.9 billion. The old title XX law provided for the entitlement ceiling to increase by $100 million a year until it reached $3.3 billion in fiscal year 1985. In addition, $16.1 million of title XX funds was available for the territories for social services and $75 million was available to the States for staff training costs related to title XX activities. A total of $2,991,100,000 was available to States and territories for social services and training in fiscal year 1981 under title XX.

The Omnibus Budget Reconciliation Act of 1981 (Public Law 97-35) amended title XX of the Social Security Act to establish a "Block Grant to States for Social Services" which combined the funding for social services for the States and territories and social services staff training. Public Law 97-35 reduced the title XX entitlement ceiling to $2.4 billion for fiscal year 1982 and provided for increases to $2.45 billion in fiscal year 1983, $2.5 billion in fiscal 1984, $2.6 billion in fiscal 1985 and $2.7 billion in fiscal 1986. The emergency jobs bill (Public Law 98-8), enacted in March 1983, appropriated an additional $225 million for fiscal year 1983 but which also was available for carryover to fiscal year 1984. These additional funds were allocated to the States on the basis of a formula intended to reflect the response to the needs of the unemployed of the jobs bill. One-half of the funds were allocated on the basis of population; one-third based on the number of unemployed individuals in the State; and one-sixth among those States whose average unadjusted unemployment from June 1982 through November 1982 was 9.4 percent or higher. In October 1983, as part of legislation to extend the Federal supplemental compensation program (Public Law 98-135) the title XX ceiling was increased by $200 million for fiscal 1984 to $2.7 billion and by $100 million for fiscal year 1985 to

$2.7 billion. Table 1 shows the title XX funding levels from the first year of the title XX program through present law funding provisions.

TABLE 1.—TITLE XX FUNDING LEVELS UNDER CURRENT LAW: FISCAL YEAR 1976—FISCAL YEAR 1984 AND FUTURE YEARS

[In millions of dollars]

Fiscal year	Funding level
1976	[1] $2.575
1977	[1] 2.796
1978	[1] 2.791
1979	[1] 2.991
1980	[2] 2.791
1981	[2] 2.991
1982	[3] 2.400
1983	[4] 2.675
1984 and future years	2.700

[1] Included $16 million for Puerto Rico, Guam and the Virgin Islands and $59 million in fiscal year 76, $80 million in fiscal year 77 and $75 million in fiscal year 78 and 79 for title XX staff training.

[2] Included $16.1 million for Puerto Rico, Guam, the Virgin Islands and the Northern Mariannas and $75 million for title XX staff training.

[3] Public Law 97–35 eliminated separate funding for title XX staff training.

[4] Includes $225 million appropriated in the emergency jobs bill (Public Law 98–8).

The Federal funds are available to States without a State matching requirement, compared to the 25-percent State matching required for most of the title XX funds available to States under the old title XX law. Title XX social services block grant funds are generally allocated to the States on the basis of population. The allotments for Puerto Rico, Guam, the Virgin Islands and the Northern Marianas from the national total are based on their allocation for fiscal year 1981 reduced to reflect the new total funding level. With the enactment of Public Law 97–35, States have the authority to transfer up to 10 percent of their title XX social services allotment to one or any combination of the block grants for community services; low income home energy assistance; preventive health services; primary health care; and maternal and child health services. Twenty-seven States utilized the option to transfer up to 10 percent of their allotment under the low income home energy assistance program to the title XX program. These transfers to title XX programs totaled approximately $80 million in fiscal year 1982. Table 2 shows the total funds available to each State and territory under title XX in fiscal years 1982 through 1985.

TABLE 2.—TITLE XX SOCIAL SERVICES FEDERAL ALLOCATION BY STATES

[In thousands of dollars]

	Fiscal year—			
	1982	1983	1984	1985
Total	$2,400,000	$2,675,000	$2,700,000	$2,700,000
Alabama	40,989	46,852	45,864	45,725
Alaska	4,215	4,650	4,824	5,079
Arizona	28,640	32,173	32,715	33,166
Arkansas	24,088	26,913	26,884	26,568
California	249,403	281,717	283,312	286,713
Colorado	30,442	33,385	34,717	35,312
Connecticut	32,749	35,742	36,696	36,564
Delaware	6,270	6,837	7,002	6,981
District of Columbia	6,723	7,527	7,388	7,317
Florida	102,631	112,524	119,233	120,790
Georgia	57,575	62,743	65,266	65,393
Hawaii	10,168	11,008	11,487	11,527
Idaho	9,947	10,952	11,229	11,191
Illinois	120,313	136,592	134,209	132,757
Indiana	57,849	65,612	64,025	63,445
Iowa	30,695	33,671	33,944	33,688
Kansas	24,899	27,117	27,903	27,925
Kentucky	38,576	43,308	42,878	42,525
Louisiana	44,298	49,492	50,443	50,584
Maine	11,854	12,948	13,266	13,139
Maryland	44,424	48,555	49,916	49,459
Massachusetts	60,451	66,068	67,596	67,040
Michigan	97,553	111,954	107,770	105,633
Minnesota	42,960	47,155	47,937	47,929
Mississippi	26,564	29,716	29,636	29,583
Missouri	51,811	56,742	57,854	57,415
Montana	8,293	9,092	9,285	9,289
Nebraska	16,543	18,027	18,465	18,392
Nevada	8,419	9,632	9,894	10,217
New Hampshire	9,705	10,606	10,960	11,028
New Jersey	77,595	84,748	86,694	86,255
New Mexico	13,698	15,300	15,550	15,760
New York	185,000	201,985	206,102	204,784
North Carolina	61,895	67,791	69,704	69,800
North Dakota	6,881	7,514	7,705	7,770
Ohio	113,769	129,417	126,235	125,139
Oklahoma	31,875	34,678	36,298	36,842

TABLE 2.—TITLE XX SOCIAL SERVICES FEDERAL ALLOCATION BY STATES—Continued

[In thousands of dollars]

	Fiscal year—			
	1982	1983	1984	1985
Oregon	27,744	31,529	31,041	30,719
Pennsylvania	125,044	142,167	138,998	137,593
Rhode Island	9,979	11,288	11,159	11,110
South Carolina	32,865	36,932	37,083	37,144
South Dakota	7,271	7,905	8,032	8,013
Tennessee	48,376	54,755	54,002	53,936
Texas	149,922	163,886	172,896	177,195
Utah	15,395	16,819	17,774	18,021
Vermont	5,384	5,872	6,042	5,984
Virginia	56,331	61,562	63,580	63,677
Washington	43,518	49,382	49,377	49,227
West Virginia	20,547	23,633	22,856	22,590
Wisconsin	49,577	56,424	55,524	55,258
Wyoming	4,953	5,442	5,761	5,821
Puerto Rico	12,414	15,735	13,966	13,966
Guam	414	422	466	466
Virgin Islands	414	422	466	466
Northern Marianas	83	84	93	93

Source: Department of Health and Human Services.

PLANNING AND ADMINISTRATIVE REQUIREMENTS

As under previous title XX law, States are required to make available for public comment a report on how the funds are to be used, including information about the types of social services, and related training and administrative activities to be funded and the characteristics of the individuals to be served. This report is also to be submitted to the Department of Health and Human Services. At least every two years, the State must prepare a post-expenditure report describing the activities for which funds were expended and the extent to which funds were spent in a manner consistent with the pre-expenditure report. At least every two years, States must arrange for an independent audit of these expenditures.

While there are now fewer Federal requirements than previously regarding public participation in the development of a State's title XX plan, a survey of States conducted by the American Public Welfare Association shows almost all the States have indicated that they have no plans to reduce the amount or substantially change their methods of public participation.

RECIPIENTS OF TITLE XX FUNDED SOCIAL SERVICES

In fiscal year 1979, when the ceiling on title XX services funds was $2.9 billion, over 7.2 million individuals were recipients of title XX services.

Under the old title XX law, eligibility for title XX funded social services was determined by the states within certain parameters set by Federal law.

The 1981 Budget Reconciliation Act eliminated the federally mandated priority that at least 50 percent of the Federal title XX funds received by a State must be expended for services to recipients of AFDC, SSI or medicaid.

The 1981 Budget Reconciliation Act also eliminated the following provisions in the title XX program related to targeting services to low income individuals and families:

—With certain exceptions, no person with gross family income higher than 115 percent of the State's median income for a family of four (adjusted for family size) could receive title XX funded services. The exceptions were protective services for abused or neglected children or adults, family planning services and information and referral services.

—States had to charge fees reasonably related to income for services to individuals or families with income higher than 80 percent of the State's median income or the median income of all States, whichever was lower, and they could, at their option, charge fees for services to persons below that income level.

While States no longer have to set eligibility standards or target funds within certain parameters set by Federal title XX law, many States had chosen income eligibility criteria lower than the Federal maximum income eligibility limits under the old title XX law. Therefore, it could be expected that the income eligibility criteria that States now use do not exceed that of previous years and most likely would be lower because of the reductions in the title XX ceiling. Table 3 summarizes the income eligibility criteria for States in fiscal year 1980.

TABLE 3.—ESTIMATED INCOME ELIGIBILITY LEVELS FOR TITLE XX SERVICES FOR A FAMILY OF FOUR PERSONS BY STATE (FISCAL YEAR 1980)

State	1980 median [1] income	Provision of State title XX State plan—fiscal year 1980		
		80 percent of median income	Maximum income level (percentage of median income)	Most or all services available to this income level (percent)
Alabama	16,629	13,303	65	65
Alaska	32,119	25,695	([2])	([2])
Arizona	19,101	15,281	80	80
Arkansas	15,068	12,054	80	80
California	20,858	16,686	115	80
Colorado	20,181	16,145	74	74
Connecticut	20,469	16,375	80	80
Delaware	18,245	14,598	67	67
District of Columbia	19,047	15,238	85	80
Florida	17,874	14,299	54	50
Georgia	16,835	13,468	80	61
Hawaii	21,718	17,374	60	60
Idaho	16,601	13,281	80	80
Illinois	20,243	16,194	115	80
Indiana	19,131	15,305	80	80
Iowa	18,441	14,753	62	50
Kansas	18,379	14,703	80	80
Kentucky	16,264	13,011	80	80
Louisiana	16,511	13,209	58	58
Maine	15,025	12,020	115	80
Maryland	21,193	16,954	115	80
Massachusetts	19,508	15,606	76	51
Michigan	20,908	16,726	80	80
Minnesota	20,715	16,572	115	60
Mississippi	14,635	11,708	115	80
Missouri	17,862	14,290	68	68
Montana	16,389	13,111	80	80
Nebraska	16,523	13,218	57	43
Nevada	20,308	16,246	80	80
New Hampshire	18,190	14,552	115	80
New Jersey	21,409	17,127	115	80
New Mexico	16,801	13,441	80	39
New York	18,216	14,573	100	62
North Carolina	16,252	13,002	91	73
North Dakota	16,008	12,806	115	115

TABLE 3.—ESTIMATED INCOME ELIGIBILITY LEVELS FOR TITLE XX SERVICES FOR A FAMILY OF FOUR PERSONS BY STATE (FISCAL YEAR 1980)—Continued

State	1980 median [1] income	Provision of State title XX State plan—fiscal year 1980		
		80 percent of median income	Maximum income level (percentage of median income)	Most or all services available to this income level (percent)
Ohio	19,195	15,356	80	80
Oklahoma	17,144	13,715	56	56
Oregon	19,771	15,817	115	115
Pennsylvania	18,348	14,678	115	50
Rhode Island	17,910	14,328	75	40
South Carolina	16,573	13,258	80	80
South Dakota	15,733	12,586	115	115
Tennessee	15,677	12,542	115	70
Texas	18,930	15,144	70	70
Utah	18,250	14,600	115	67
Vermont	16,381	13,105	79	65
Virginia	19,244	15,395	70	50
Washington	20,207	16,166	80	80
West Virginia	16,793	13,434	115	80
Wisconsin	20,109	16,087	70	70
Wyoming	20,755	16,604	50	50

[1] The median income for a family of four in the 50 States and the District of Columbia, applicable to the period October 1, 1979, through September 30, 1980, was $18,723.

[2] Universal.

Source: Department of Health and Human Services.

In fiscal year 1980, 27 percent of those receiving title XX services were AFDC recipients; 11 percent were SSI recipients; 4 percent were medicaid recipients who were not AFDC or SSI recipients; 21 percent of the recipients received services provided without regard to income or welfare status; and 37 percent were eligible according to income criteria.

TABLE 4.—NUMBER OF STATES PROVIDING EACH TYPE OF SERVICE, FISCAL YEAR 1982

Adoption	42	Legal	20
Case management	14	Placement	25
Counseling	47	Protective and emergency—adult	47
Day care—adult	38	Protective and emergency—child	51
Day care—child	51	Recreational	16
Diagnostic and evaluation	13	Residential care treatment	23
Employment, education and training	40	Services to unmarried parents	15
Family planning	47	Socialization	16
Foster care—adult	17	Special services:	
Foster care—child	35	Alcohol/drug	14
Health related	37	Blind	7
Home based services (homemaker, chore and home health related)	51	Children and youth	6
Home delivered/congregate meals	22	Deaf and disabled	22
Housing improvement	22	Juvenile delinquent	10
Information and referral	51	Transportation	36

Source: Department of Health and Human Services.

TYPES OF SOCIAL SERVICES PROVIDED UNDER TITLE XX

Under the title XX social services block grant the Department of Health and Human Services has chosen to establish very minimal reporting requirements for the States. Therefore, there is very limited information on the use of title XX funds by the States in fiscal year 1982 or 1983. Since most States utilized the comprehensive annual services plan which was required under the old title XX law to prepare the pre-expenditure report for fiscal year 1982 under the title XX block grant there is some information on the number of States providing certain types of social services. This information is shown in table 4. Four services were provided in every State in fiscal year 1982. They included: child day care, information and referral services, protective services for children, and home based services such as homemaker and chore services. Family planning, counseling services and protective and emergency services for adults were provided by 47 States under their fiscal year 1982 title XX program. Fiscal year 1979 is the most recent year when data is available on the percentage of total title XX dollars spent for various types of social services. This information is shown in table 5.

Day care services for children consumed about 21 percent of all Federal funds spent for title XX in fiscal year 1979. Home based services, such as homemaker/chore services, accounted for about 16 percent of all Federal funds in 1979. Protective services and other services related to child foster care accounted for another 16 percent.

Homemaker/chore services include, for example, an individual trained by the local welfare agency to go into the home of an aged or disabled individual a few hours a week to assist with meal preparation, cleaning, and personal care to enable them to remain in their own home or apartment instead of having to live in an institution.

Protective services for children includes the activities of a child-welfare caseworker who is responsible for investigating and managing cases of child abuse or neglect. For example, a caseworker may visit a home after reports are received from a doctor or a neighbor of possible child abuse and determine whether the home situation warrants recommending removal of the children and placement in foster care.

In another situation, the caseworker will have to determine whether the child care training provided by a private family service agency to a teenage mother enables her to care for her two children who currently are in foster care.

In another situation, the caseworker may have to arrange for an emergency caretaker to stay with some children in their own home instead of being placed in an institution while their mother is in a hospital receiving emergency medical care.

Although title XX provides discretion to States to define services to accomplish the goals of the title XX program, there are certain limitations. Title XX funds may not be used:

(1) for the purchase or improvement of land, or the purchase, construction, or permanent improvement (other than minor remodeling) of any building or other facility;

(2) for the provision of cash payments for costs of subsistence or for the provision of room and board (other than costs of subsistence during rehabilitation, room and board provided for a short term as an integral but subordinate part of a social service, or temporary emergency shelter provided as a protective service);

(3) for payment of the wages of any individual as a social service (other than payment of the wages of welfare recipients employed in the provision of child day care services);

(4) for the provision of medical care (other than family planning services, rehabilitation services, or initial detoxification of an alcoholic or drug dependent individual) unless it is an integral but subordinate part of a social service;

(5) for social services (except services to an alcoholic or drug dependent individual or rehabilitation services) provided in and by employees of any hospital, skilled nursing facility, intermediate care facility, or prison, to any individual living in such institution;

(6) for the provision of any educational service which the State makes generally available to its residents without cost and without regard to their income;

(7) for any child day care services unless such services meet applicable standards of State and local law; or

(8) for the provision of cash payments as a service (except as otherwise provided in (2) above).

The Secretary of the Department of Health and Human Services may grant a State's request to waive the prohibition against the use of title XX funds for medical services or against the purchase or improvement of land or buildings where it is found that extraordinary circumstances justify such uses.

TABLE 5.—PERCENTAGE DISTRIBUTION OF TITLE XX DOLLARS SPENT ON EACH SERVICE AND PERCENTAGE FOR EACH CASH SERVICE SPENT BY RECIPIENT CATEGORY—OCTOBER 1978 TO SEPTEMBER 1979

Services	Percentage of total dollars spent for this service	Percent AFDC	Percent income eligibles	Percent SSI	Percent medicaid	Percent without regard to income
Adoption services	0.80	44	26	1	14	14
Case management	1.94	33	27	13	4	23
Chore services	5.00	3	23	64	5	(1)
Counselling services	7.20	28	41	11	7	13
Day care—adults	1.51	18	37	39	5	1
Day care—children	21.08	45	51	1	1	2
Diagnostic and evaluative services	.51	23	49	16	4	8
Education and training services	5.14	16	38	38	5	3
Emergency services	.54	35	22	6	3	34
Employment related medical services	.34	89	11	0	0	0
Employment services	2.71	20	41	35	3	1
Family planning	2.49	10	68	(1)	2	20
Foster care—adults	.54	8	12	61	10	10
Foster care—children	5.60	41	26	4	17	12
Health-related services	2.77	39	20	30	8	3
Home-delivered congregate meals	.57	1	56	40	2	2
Homemaker services	11.20	7	19	70	3	2
Home management	1.17	43	24	23	8	4
Housing improvement	.88	61	19	14	2	3
Legal services	1.08	40	44	5	3	9
Placement services	2.60	32	20	18	17	13
Protective services—adults	3.11	19	8	24	3	46
Protective services—children	10.05	23	6	1	1	69
Recreational services	.23	33	43	16	5	3
Residential care and treatment	4.86	30	33	14	11	12
Services to unmarried parents	.17	36	44	2	6	13
Socialization services	1.20	26	33	20	5	16
Special services—alcohol and drug	.40	4	77	5	2	12
Special services—blind	.14	1	37	58	4	(1)
Special services—children and youth	.48	27	36	1	1	34
Special services—disabled	1.08	5	48	43	3	1
Special services—juvenile delinquents	.22	34	38	1	13	14
Transitional services	.11	2	64	16	6	12
Transportation	1.91	25	34	34	5	2
Vocational rehabilitation	.17	93	7	0	0	0
WIN medical examinations	.26	97	3	0	0	0
Other	.74	8	33	25	3	32
Total/average	100.00	27	32	22	5	14

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[1] Less than 0.5 percent.

Section 13. Child Welfare, Foster Care and Adoption Assistance Program—Title IV, Parts B and E

Although child protective services in America date back to the 19th century, the first protective services were provided by voluntary, private organizations. The passage of the 1935 Social Security Act was an impetus for greater State involvement in public child protective services. During the following two decades, 35 States enacted statutes assigning responsibility for the protection and care of neglected children to State agencies. The development of public protective services also was accelerated by the 1962 amendments to the Social Security Act which required that each State extend child welfare services to all political jurisdictions within the State, and which made aid to families with dependent children (AFDC) foster care funds and services available to abused and neglected children from families who were receiving, or were potentially eligible for AFDC. The 1974 amendments to the Socal Security Act, which established the title XX social services program, required that each State provide child protective services on a statewide basis.

A rough estimate of the number of children in foster care in 1977 was 500,000. However, the number of children in such care is reported though a child welfare information system of the States, which now sets the figure at 273,000.

About 100,000 of this total receive support under the aid to families with dependent children foster care program. Table 1 shows the average monthly number of children in foster care in each State in fiscal years 1981 through 1984. The table also shows the percentage change between those fiscal years. As can be seen, there is wide variation among the States with some States showing significant reductions in the number of children for whom the State has claimed Federal matching. On the other hand, some States have claimed Federal matching funds for a significant number of additional children. Additional information and details from the States will be needed to determine the implications of this data. Since the percent of the foster care children in a State for which a State claims Federal matching funds varies greatly, the table does not necessarily reflect the relative number of the total foster care populations in the States.

Table 2 shows the estimate of the Federal funds provided to States for foster care under title IV–E, child welfare services under title IV–B, and funds which States have used from their allocation for foster care for child welfare services. When combined with approximately 15 percent of the title XX social services funds which are used by States for child welfare services, over $1 billion of Federal funds are provided to States for child welfare/foster care services. In fiscal year 1982 the Federal share of support for AFDC-foster care children was $334 million, and States claims for fiscal year 1983 is $373 million, and $398 million in 1984. Table 4 shows the State-by-State estimated claims for foster care in fiscal years 1983 and 1984. The Federal matching rate for foster care maintenance payments is the same as the medicaid matching rate for the State. The average Federal share for all States is about 54 percent.

Family foster care accounts for approximately 55 percent of Federal expenditures (75 percent of placements); foster care group homes and other institutions account for 45 percent of Federal expenditures (but only 25 percent of placements). In a 1982 survey of States' family foster care reimbursement rates it was found that, for example, for a 6-year-old child in foster care the monthly rate was between $150 and $200 in 30 States. In 13 States the family foster care rate for a 6-year-old child was over $200, and between $120 and $150 in another 8 States. Most States also provide additional payments to foster parents who provide care for handicapped or other children with special needs.

In hearings on the child welfare services program and foster care program in 1977 and in 1979, the Subcommittee on Public Assistance and Unemployment Compensation received extensive testimony on the need to improve the quality of services available to families and children. The testimony made clear that there was a need not only for improved Federal funding, but also for new requirements to assure that State programs include alternatives to foster care, and protections for children who nonetheless, must be placed in foster care.

TABLE 1.—AVERAGE MONTHLY NUMBER OF AFDC FOSTER CARE CHILDREN AND PERCENTAGE CHANGE BETWEEN YEARS, FISCAL YEARS 1981 THROUGH 1984

[By fiscal year]

Name of State	1981	1982	1983	1984	Change 1981–82 (percent)	Change 1982–83 (percent)	Change 1983–84 (percent)
Totals	106,433	103,274	101,594	99,941	−2.97	−1.63	−1.63
Alabama	1,516	1,544	1,528	1,512	1.85	−1.04	−1.04
Alaska	56	45	55	67	−19.64	22.22	22.22
Arizona	618	455	584	750	−26.38	28.35	28.35
Arkansas	395	370	406	446	−6.33	9.73	9.73
California	16,708	17,520	16,797	16,104	4.86	−4.13	−4.13
Colorado	529	559	707	894	5.67	26.48	26.48
Connecticut	775	795	1,105	1,536	2.58	38.99	38.99
Delaware	273	249	272	297	−8.79	9.24	9.24
District of Columbia	1,882	1,693	1,806	1,927	−10.04	6.67	6.67
Florida	1,151	1,194	1,399	1,639	3.74	17.17	17.17
Georgia	1,398	1,218	1,368	1,536	−12.88	12.32	12.32
Hawaii	21	21	17	14	.00	−19.05	−19.05
Idaho	199	171	162	153	−14.07	−5.26	−5.26
Illinois	5,528	5,135	4,672	4,251	−7.11	−9.02	−9.02
Indiana	1,676	1,439	1,464	1,489	−14.14	1.74	1.74
Iowa	651	627	642	657	−3.69	2.39	2.39
Kansas	1,590	1,328	1,111	929	−16.48	−16.34	−16.34
Kentucky	1,286	1,265	1,145	1,036	−1.63	−9.49	−9.49

Louisiana	1,767	1,547	1,616	1,688	−12.45	4.46	4.46
Maine	1,145	1,042	898	774	−9.00	−13.82	−13.82
Maryland	2,334	2,108	1,928	1,763	−9.68	−8.54	−8.54
Massachusetts	561	1,049	937	837	86.99	−10.68	−10.68
Michigan	5,785	5,862	5,840	5,818	1.33	−.38	−.38
Minnesota	1,699	1,342	1,802	2,420	−21.01	34.28	34.28
Mississippi	879	835	780	729	−5.01	−6.59	−6.59
Missouri	2,098	1,916	2,174	2,467	−8.67	13.47	13.47
Montana	250	259	382	563	3.60	47.49	47.49
Nebraska	599	652	623	595	8.85	−4.45	−4.45
Nevada	209	209	239	273	.00	14.35	14.35
New Hampshire	484	474	488	502	−2.07	2.95	2.95
New Jersey	1,615	1,464	1,763	2,123	−9.35	20.42	20.42
New Mexico	222	164	172	180	−26.13	4.88	4.88
New York	20,173	19,607	18,434	17,331	−2.81	−5.98	−5.98
North Carolina	5,157	4,611	4,300	4,010	−10.59	−6.74	−6.74
North Dakota	335	342	350	358	2.09	2.34	2.34
Ohio	3,530	3,289	3,625	3,995	−6.83	10.22	10.22
Oklahoma	791	911	832	760	15.17	−8.67	−8.67
Oregon	1,314	1,460	1,457	1,454	11.11	−.21	−.21
Pennsylvania	5,359	5,300	5,300	5,300	−1.10	.00	.00
Rhode Island	429	400	519	673	−6.76	29.75	29.75
South Carolina	527	449	606	818	−14.80	34.97	34.97
South Dakota	400	432	362	303	8.00	−16.20	−16.20
Tennessee	1,730	1,493	1,401	1,315	−13.70	−6.16	−6.16
Texas	2,661	2,542	2,590	2,639	−4.47	1.89	1.89
Utah	229	194	252	327	−15.28	29.90	29.90

TABLE 1.—AVERAGE MONTHLY NUMBER OF AFDC FOSTER CARE CHILDREN AND PERCENTAGE CHANGE BETWEEN YEARS, FISCAL YEARS 1981 THROUGH 1984—Continued

[By fiscal year]

Name of State	1981	1982	1983	1984	Change 1981–82 (percent)	Change 1982–83 (percent)	Change 1983–84 (percent)
Vermont	269	295	291	287	9.67	−1.36	−1.36
Virginia	2,276	2,136	1,913	1,713	−6.15	−10.44	−10.44
Washington	812	1,021	1,179	1,361	25.74	15.48	15.48
West Virginia	605	650	584	525	7.44	−10.15	−10.15
Wisconsin	3,898	3,555	2,674	2,011	−8.80	−24.78	−24.78
Wyoming	39	36	43	51	−7.69	19.44	19.44

Source: Office of Human Development Services.

TABLE 2.—ESTIMATE OF TITLE IV–E FOSTER CARE AND TITLE IV–B CHILD WELFARE SERVICES FUNDS AVAILABLE TO STATES IN FISCAL YEAR 1982, 1983, AND 1984

[In thousands of dollars]

Fiscal year	Title IV–B [1] child welfare services	Title IV–E foster care State claims	State use of foster care funds for IV–B child welfare services	Total
1982	[1] 156,326	334,246	20,560	511,132
1983	[1] 156,326	[2] 373,314	[2] 32,608	[2] 562,248
1984	[1] 165,000	[2] 398,180	[2] 41,990	[2] 605,170

[1] States that have not been determined by HHS to have implemented Section 427 child welfare protections, receive about 10 percent less funds than would be their allocation under the appropriation for fiscal years 1982 and 1983 and 15 percent less in fiscal year 1984. Public Law 96–272 requires HHS to reallocate such funds to those States that do meet the Section 427 requirements for the year.

[2] Estimate.

Source: Office of Human Development Services.

ENACTED CHILD WELFARE AND FOSTER CARE REFORMS

The Adoption Assistance and Child Welfare Act of 1980, Public Law 96–272, enacted on June 17, 1980, authorizes a modified foster care program and a new adoption assistance program under a new part E of title IV of the Social Security Act. In the new part E and in the modifications made in the title IV–B child welfare services program, a comprehensive set of services, procedures, and safeguards are described which all States are to implement within the next several years. In enacting the new law, Congress anticipated that the funding for the title IV–B child welfare services program would steadily increase from $56 million in fiscal year 1979 to reach $266 million by fiscal year 1983. These anticipated increases in Federal funds for title IV–B child welfare services were to provide States initially with some additional resources to assist them in implementing the described services, procedures and safeguards. Also, the availability of the funds to the States was structured to provide States financial incentives to implement them as quickly as possible. However, while the title IV–B appropriation increased to $163 million for fiscal year 1981, it was $156 million for both fiscal years 1982 and 1983 and is $165 million in fiscal year 1984. Table 3 shows the State-by-State allocations under title IV–B for fiscal years 1983 and 1984.

As part of the initial effort to improve the situation for children currently in foster care, the new law provides for States to conduct an inventory of all children who have already been in foster care for over 6 months to determine whether current placement is appropriate and the services needed. In addition, each State is to implement a foster care information system to insure that information on the foster children's characteristics and the goals of the placement of each child is readily available to caseworkers and administrators.

The new law provides that a case plan is to be developed for each foster care child describing the services that will be provided to the family and child to improve the conditions in the home and meet the treatment needs of the child while in foster care. It also requires that there be an independent administrative review of the case every 6 months to determine the continuing appropriateness of the services, to determine the continuing necessity for placement in care, and to set a date by which the child can be returned home, freed for adoption or otherwise permanently placed. There must also be a mandatory dispositional hearing within 18 months of the original placement of the child in foster care. This hearing must be held in a family or juvenile court, or other court of competent jurisdiction or by an administrative body appointed by a court.

In cases where preventive services cannot alleviate the need for out of home placement of a child, the new case plan and case review system is to ensure that a child is to be placed in the least restrictive setting, and in reasonable proximity to his family to increase the chances of the child being returned to his home.

States are to provide family reunification services for foster care children and their families to alleviate the conditions necessitating placement and to enable the child to return home as quickly as possible.

State and local governments are also to provide such preventive services as family counseling, 24-hour crisis intervention for families, and emergency caretakers to provide emergency child care in the home as means to prevent the unnecessary removal of children or extended placement out of the home.

TABLE 3.—TITLE IV–B CHILD WELFARE SERVICES STATE-BY-STATE ALLOCATIONS AND STATUS OF STATES COMPLIANCE WITH SECTION 427 CHILD WELFARE PROTECTIONS

[In thousands of dollars]

States	Fiscal year		States compliance with section 427—child welfare protections—fiscal year 1982 (approved 30, denied 1, pending 1)
	1983	1984	
Totals	$156,326	[1] $165,000	
Alabama	3,275	3,452	
Alaska	248	307	
Arizona	2,042	2,097	Approved.
Arkansas	1,933	2,031	Denied.
California	13,195	14,066	
Colorado	1,947	2,025	Approved.
Connecticut	1,694	1,633	Do.
Delaware	429	454	Do.
District of Columiba	345	334	
Florida	5,967	6,365	Approved.
Georgia	4,448	4,726	Do.
Hawaii	619	224	
Idaho	866	721	Approved.
Illinois	6,601	924	Do.
Indiana	3,843	6,984	
Iowa	1,973	4,124	Approved.
Kansas	1,561	2,043	Do.
Kentucky	2,947	1,611	Do.
Louisiana	3,647	3,149	
Maine	955	3,802	
Maryland	2,561	987	Pending.
Massachusetts	3,154	2,628	
Michigan	5,832	3,507	
Minnesota	2,768	6,174	Approved.
Mississippi	2,479	2,848	Do.
Missouri	3,440	2,599	Do.
Montana	670	3,623	Do.
Nebraska	1,150	1,189	Do.
Nevada	488	570	Do.
New Hampshire	706	737	Pending.
New Jersey	4,085	4,105	Approved.
New Mexico	1,183	1,288	Do.
New York	10,333	10,440	Do.
North Carolina	4,533	4,854	Do.
North Dakota	555	579	Do.

TABLE 3.—TITLE IV-B CHILD WELFARE SERVICES STATE-BY-STATE ALLOCATIONS AND STATUS OF STATES COMPLIANCE WITH SECTION 427 CHILD WELFARE PROTECTIONS—Continued

[In thousands of dollars]

States	Fiscal year		States compliance with section 427—child welfare protections—fiscal year 1982 (approved 30, denied 1, pending 1)
	1983	1984	
Ohio	$7,171	$7,484	
Oklahoma	2,223	2,340	Approved.
Orgon	1,686	1,853	
Pennsylvania	7,373	7,622	
Rhode Island	662	684	
South Carolina	2,707	2,917	Approved.
South Dakota	619	648	Do.
Tennessee	3,534	3,802	Pending.
Texas	10,471	11,151	Approved.
Utah	1,567	1,732	Do.
Vermont	467	486	
Virginia	3,620	3,778	Pending.
Washington	2,525	2,665	Approved.
West Virginia	1,541	1,640	Do.
Wisconsin	3,340	3,424	Do.
Wyoming	383	397	Pending.
Territories:			
Guam	192	224	
Northern Marianas	92	96	
Puerto Rico	3,500	4,234	
Virgin Islands	183	212	

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[1] Computed as if all States meet Section 427 requirements and are eligible for share of amounts above $141 million.

Source: Office of Human Development Services.

TABLE 4.—AFDC FOSTER CARE FEDERAL MATCHING FUNDS STATE CLAIMS FISCAL YEARS 1982–84 AND ESTIMATED TRANSFER OF FOSTER CARE FUNDS TO TITLE IV–B CHILD WELFARE SERVICES BY STATES UNDER OPTIONAL STATE-BY-STATE FOSTER CARE CEILINGS FOR FISCAL YEAR 1984

[In thousands of dollars]

States	Fiscal year			Estimated transfer of foster care funds to IV–B child welfare services [1] (1984)	1984 foster care ceilings (optional)
	1982	1983	1984		
Total	334,246	373,314	398,180	41,990	338,960
Alabama	2,293	2,140	2,660		2,440
Alaska	476	148	520		270
Arizona	1,497	1,733	1,890		1,240
Arkansas	453	546	530	520	1,050
California	57,909	82,592	65,230	9,360	105,040
Colorado	677	1,066	1,050	1,320	2,400
Connecticut	1,510	2,735	1,860	1,100	2,880
Delaware	336	369	410	260	790
Dist. of Col.	8,978	5,410	1,450		840
Florida	1,900	2,391	2,050	1,650	3,700
Georgia	5,156	6,881	4,930		4,040
Hawaii	30	24	30	400	430
Idaho	258	253	410	250	640
Illinois	6,946	5,902	10,050		5,080
Indiana	889	913	1,210	1,390	2,540
Iowa	1,273	1,678	2,000	190	2,130
Kansas	3,236	3,339	4,510	210	4,600
Kentucky	1,298	1,972	1,910	1,640	3,460
Louisiana	4,453	5,304	5,760		4,830
Maine	2,267	2,948	2,900	310	3,130
Maryland	2,786	3,060	3,890	1,800	5,620
Massachusetts	2,395	2,570	4,970	10	4,860
Michigan	24,118	28,162	29,780		28,300
Minnesota	3,794	4,150	6,880		5,960
Mississippi	896	968	1,410	110	1,380
Missouri	2,074	2,130	2,640	960	3,510
Montana	1,177	1,473	1,520		1,020
Nebraska	1,773	1,657	1,800		1,260
Nevada	438	384	570	20	580
New Hampshire	816	978	770	190	930
New Jersey	2,060	2,638	2,900	220	3,120
New Mexico	214	396	190	460	650

TABLE 4.—AFDC FOSTER CARE FEDERAL MATCHING FUNDS STATE CLAIMS FISCAL YEARS 1982–84 AND ESTIMATED TRANSFER OF FOSTER CARE FUNDS TO TITLE IV–B CHILD WELFARE SERVICES BY STATES UNDER OPTIONAL STATE-BY-STATE FOSTER CARE CEILINGS FOR FISCAL YEAR 1984—Continued

[In thousands of dollars]

States	Fiscal year			Estimated transfer of foster care funds to IV–B child welfare services[1] (1984)	1984 foster care ceilings (optional)
	1982	1983	1984		
New York	139,577	123,700	149,590	7,460	209,250
North Carolina	1,898	2,013	2,420	180	2,600
North Dakota	814	933	960		780
Ohio	3,906	4,680	5,490		4,850
Oklahoma	1,768	4,288	1,840		1,340
Oregon	4,843	5,614	5,840	1,160	8,700
Pennsylvania	11,070	25,000	28,310	5,350	64,900
Rhode Island	895	1,425	920		
South Carolina	536	761	730	750	1,480
South Dakota	707	673	1,010		640
Tennessee	1,737	169,909	2,500	1,370	3,770
Texas	5,626	5,567	6,810		6,750
Utah	441	654	580	300	850
Vermont	1,083	1,590	1,240		1,170
Virginia	2,915	2,976	3,780	1,380	5,030
Washington	1,584	4,189	3,650	1,630	5,150
West Virginia	1,450	1,352	1,740		1,480
Wisconsin	8,904	9,180	12,000		10,890
Wyoming	116	111	90	140	230

[1] Amounts shown for transfer to use for child welfare services is in addition to amount shown as State's claims for foster care.

Source: Office of Human Development Services.

FINANCIAL INCENTIVES TO STATES TO IMPLEMENT IMPROVED CHILD WELFARE SERVICES AND PROCEDURES

There are a number of financial incentives to States to implement the new child welfare and foster care system including the following:

First, the new law provides for the first time a temporary State-by-State ceiling on Federal AFDC funding for foster care in effect for fiscal years 1981–84. This ceiling is intended to create financial incentives to States to implement procedures to reduce unnecessary placement or extended placement in foster care. The Federal ceiling on foster care funds is only in effect when title IV–B child welfare services appropriations reach certain specified levels: $164 million for fiscal year 1981; $220 million for fiscal year 1982; and $266 million for fiscal years 1983 and 1984. In addition, the funding levels for fiscal years 1982 to 1984 must be provided on an advance basis. The foster care ceiling was in effect for fiscal year 1981. However, the foster care ceiling was not in effect for fiscal years 1982 or 1983 and is not in effect for fiscal year 1984 given the title IV-B funding level.

A State has the following options in determining the ceiling most favorable to them: (1) the State's fiscal year 1978 Federal foster care funds increased by 33⅓ percent for fiscal year 1981, and increased thereafter by twice the increase in the CPI each year but not to exceed 10 percent each year; (2) the State's share of $100 million relative to its population under 18; or (3) for those States with foster care caseloads below the national average, the State's funds increased by a percent equal to its caseload growth but not more than 10 percent, plus the increase provided in (1).

Second, while a State can receive its share of $141 million of title IV-B appropriations without conducting the inventory, without having an operational information system and without case planning, case review, and family reunification services, a State cannot receive its share of title IV-B appropriations in excess of $141 million unless it has in place such procedures and services. In addition, when title IV-B appropriations reach the authorized maximum of $266 million for 2 consecutive years, a State could continue to receive additional funding over its share of $56.5 million only if it has also implemented a preventive services program designed to prevent the need for removing children from their natural homes.

Third, the new law establishes more specific State plan requirements under the new title IV-E authorization for foster care. Effective October 1, 1983, for a State to be eligible for Federal funds for AFDC related children in foster care, the State title IV-E State plan must provide that prior to placement in foster care reasonable efforts will be made, in the case of such children, to eliminate the need for the removal of the child from the home, to make it possible for the child to return to his home and that there will be a case plan and a case review for each such child. Also, effective October 1, 1983, for a State to be eligible to receive Federal funds for a child placed in foster care there must have been a judicial determination that reasonable efforts have been made to provide services to prevent the removal of the child from the home.

Fourth, States which implement the child welfare/foster care services and procedures are able to claim, through September 30, 1984, Federal foster care matching funds for children who are placed in foster care under a voluntary placement agreement between the agency and parents. Under the old law, eligibility for Federal foster care funds was limited to those children removed from the home as a result of a judicial determination that continuance in the home would be contrary to the child's welfare. It has been estimated by the Department of Health and Human Services that 15 States will claim Federal matching funds for fiscal year 1983 for voluntarily placed children.

Fifth, States gain flexibility in the use of Federal foster care funds under the foster care ceiling if they have implemented the child welfare/foster care services and procedures. A portion of the Federal foster care matching funds made available under the ceiling which are not used for foster care maintenance can be used for IV–B child welfare services. In years when the IV–B child welfare services appropriation is insufficient to trigger a mandatory foster care ceiling a State can opt for voluntary ceiling to gain the option to use foster care funds for child welfare services. The provision in the law which provides States this option expires September 30, 1984, concurrently with the foster care ceiling provision. Under the optional foster care ceiling, States cannot transfer more foster care funds to title IV–B services than an amount which, together with the IV–B funds it receives, exceeds the amount of IV–B funds it would have received if the IV–B appropriation for such year had been sufficient to require a ceiling on foster care funds in all States. Table 2 shows that States used this option to transfer $20 million in fiscal year 1982, $32 million in fiscal year 1983, and are expected to transfer $42 million in fiscal year 1984. Table 4 provides State-by-State data on the estimated transfers for fiscal year 1984.

ADOPTION ASSISTANCE PROGRAM

The new law required all States to establish an adoption assistance program under the new title IV–E no later than October 1, 1982. Federal matching funds (at the same rate as applied to medicaid in the State) are available for a child with "special needs" placed in adoption who was eligible for SSI, AFDC or AFDC foster care, including voluntarily placed children. "Special needs" children includes those, for example, who are difficult to place because of ethnic background, age, membership in a minority or sibling group or the presence of physical, mental or emotional handicaps. Children receiving adoption assistance payments are also eligible for medicaid.

Table 5 shows the State claims for Federal matching funds for adoption assistance in fiscal years 1982 and 1983 and the estimated State claims for fiscal year 1984. State claims for adoption assistance will increase from $2.1 million in fiscal year 1982 to $7.3 million in 1983 and to an estimated $9.9 million in fiscal year 1984.

TABLE 5.—ADOPTION ASSISTANCE: ESTIMATED STATE CLAIMS

State	Fiscal year		
	1982	1983	1984
Total	$2,145,889	$7,292,358	$9,900,000
Alabama		19,406	45,183
Alaska			
Arizona	136,328	252,636	366,350
Arkansas	22,203	64,602	104,132
California		227,759	332,859
Colorado	34,782	62,306	87,742
Connecticut		36,165	81,748

TABLE 5.—ADOPTION ASSISTANCE: ESTIMATED STATE CLAIMS—Continued

State	Fiscal year		
	1982	1983	1984
Delaware			
District of Columbia		50,000	69,096
Florida		16,624	23,591
Georgia		9,708	6,708
Guam			
Hawaii		3,600	3,178
Idaho	1,894	14,213	14,270
Illinois		153,014	211,453
Indiana		29,149	35,170
Iowa		49,893	61,757
Kansas		102,945	49,745
Kentucky	28,030	89,935	137,689
Louisiana		30,294	55,454
Maine		4,957	17,244
Maryland	52,753	183,562	253,316
Massachusetts			
Michigan	1,112,867	1,702,639	2,799,439
Minnesota	125,590	230,479	350,625
Mississippi		43,570	84,560
Missouri			
Montana			
Nebraska	128,553	102,128	138,373
Nevada	1,236	8,643	11,815
New Hampshire		18,949	26,813
New Jersey		105,390	54,415
New Mexico			
New York		2,421,455	2,837,087
North Carolina	949	21,423	38,452
North Dakota	34,060	49,122	21,446
Ohio		88,160	76,144
Oklahoma			
Oregon	21,970	31,632	40,022
Pennsylvania			117,520
Puerto Rico			
Rhode Island		205,293	304,237
South Carolina			
South Dakota		954	1,770
Tennessee		71,185	85,334
Texas		152,637	23,113

TABLE 5.—ADOPTION ASSISTANCE: ESTIMATED STATE CLAIMS—Continued

State	Fiscal year		
	1982	1983	1984
Utah			
Vermont	2,475	7,762	11,829
Virgin Islands			
Virginia	13,826	99,328	125,132
Washington	272,376	214,923	320,684
West Virginia			
Wisconsin	155,997	315,918	474,505
Wyoming			

Source: Office of Human Development Services.

IMPLEMENTATION OF CHILD WELFARE AND FOSTER CARE REFORMS

Interim regulations to implement Public Law 96-272 were published in December 1980, by then Secretary of Health and Human Services, Harris. However, those regulations were subsequently withdrawn by Secretary Schweiker and final regulations were not published until July 1982.

Section 427 of title IV-B specifies the child welfare services and foster care protections and procedures which a State must be found to be providing before it can qualify for certain of the financial incentives described earlier; that is, a State qualifying for its share of title IV-B appropriations in excess of $141 million or being permitted to transfer funds from its foster care ceiling allotment for a given year to use for child welfare services. States were notified by HHS officials in June 1981 that instead of the Department conducting reviews at that time of States child welfare and foster care programs to determine if a State was actually providing the service and procedures required under section 427, States would be allowed to "self certify" compliance.[1] Initially, 34 States "self certified" that in fiscal year 1981, they were in compliance with the section 427 provisions of the new law.

In June 1982, HHS officials provided material to their regional offices for use in validating States certification of compliance which had been submitted to HHS approximately a year earlier. As of January 1984, 30 States have received approval for fiscal year 1982 following on-site reviews by Department officials; 1 State has been disapproved; and a final decision has not been made for 6 States. Table 3 shows those States which have been approved by the Department of Health and Human Services as meeting the requirements under section 427 for fiscal year 1982. It also shows those States for which a decision is pending and those denied.

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[1] Because of concern about the "self certification" procedure (a procedure used primarily in programs administered as block grants) and the then lack of regulations to implement Public Law 96-272, in February 1982 the members of the Subcommittee on Public Assistance and Unemployment Compensation of the Committee on Ways and Means asked the General Accounting Office to conduct a study for the Congress regarding the implementation of the law. Included in the June 1982 material provided to regional officials it was stated that the self-certification was necessary for fiscal year 1981 because "the Department had not yet published final regulations, and other logistical constraints would have made on-site compliance reviews impossible."

Forty-eight States and two territories have certified compliance with section 427 for fiscal year 1983. As of January 1984, 18 States had received Federal approval as complying with the provisions of section 427 for fiscal year 1983.

As of January 1984, all of the States and territories except Alaska, Guam, Hawaii, and the Virgin Islands have certified that for fiscal year 1984, they are in compliance with the child welfare/ foster care protections requirements of section 427.

APPENDIX I. EXPLANATION AND IMPACT OF MAJOR CHANGES ENACTED INTO LAW DURING 1983 FOR SPENDING PROGRAMS WITHIN THE JURISDICTION OF THE COMMITTEE ON WAYS AND MEANS

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TITLE XX SOCIAL SERVICES PROGRAM

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This appendix describes the major legislative changes enacted into law during 1983 which affect the programs with spending authority within the jurisdiction of the Committee on Ways and Means. It does not include the reauthorization of the trade adjustment assistance program. The impact is described only for the next several years and the effect upon the total Federal budget, not just upon the social security trust funds. For a complete discussion of the revenue and outlay impact upon the social security trust funds, both in the short and long run, the reader is referred to section 5.

Table 1 illustrates the total amount of outlay reductions by major program area. The taxation of social security benefits is included in this table. Table 2 is identical to table 1, except that it illustrates the reduction in outlays as a percentage of prior law outlays. For example, the 22.1 number for the unemployment compensation program in fiscal year 1983 would indicate the Federal outlays for the UC program were increased by 22.1 percent as a result of the legislative changes enacted during 1983. Table 3 is a detailed listing of the budget reductions by provision. These three tables were provided by the Congressional Budget Office and reflect their estimate as of January 1984 of these changes. In some cases this will be different from the estimates used during the legislative process.

Table 4 illustrates the number of individuals and the average reduction in benefits as a result of the legislative changes. Most of these numbers were also provided by the Congressional Budget Office. The reduction in benefits is an average first full year impact number for the individuals affected. The average reduction is computed as the average amount of benefits lost for those losing benefits in the first month. This is a reasonable proxy for the average reduction in benefits for the first year the affected individuals lose benefits.

Table 5 illustrates the impact of the Social Security Amendments of 1983 upon fiscal year receipts from 1984 to 1989.

The remainder of the text describes for each major provision in the law which underwent change: prior law, an explanation of the law as amended, the effective date of the change in the law and the impact the change will have upon the budget and where possible the number of individuals affected and the average loss in benefits.

TABLE 1.—OUTLAY PLUS TAXING BENEFITS IMPACT OF LEGISLATIVE CHANGES ENACTED DURING 1983 ON PROGRAMS WITHIN THE JURISDICTION OF THE COMMITTEE ON WAYS AND MEANS [1]

[In millions of dollars]

	Fiscal year					
	1983	1984	1985	1986	1987	1988
Social security:						
Outlays	−1,444	−3,103	−3,266	−4,037	−4,308	−4,702
Taxing benefits	0	−894	−3,167	−3,769	−4,495	−5,350
Total	−1,444	−3,997	−6,433	−7,806	−8,803	−10,052
Unemployment compensation [2]	3,052	3,500	1,200			
Supplemental security income	171	733	813	813	848	938
Aid to families with dependent children [3]	1	2	0	0	0	0
Title XX	0	200	100			
Medicare [4]	124	146	42	−2,232	−4,246	−4,739
Total outlays	1,904	1,478	−1,111	−5,456	−7,706	−8,503
Including taxing of benefits	1,904	584	−4,278	−9,225	−12,201	−13,853

[1] See footnotes on table 3. Includes only impact upon program outlays. Does not include food stamp and medicaid impacts listed in table 3.

[2] Includes only FSC outlays.

[3] Impact of disregarding emergency and other in-kind assistance provided by nonprofit organizations. This is listed in table 3 as an SSI impact

[4] Assumes savings from prospective payment in 1986 to 1988 are the same as if the TEFRA provisions were extended. This assumes outlay reductions of approximately 9 percent per year of hospital payments.

TABLE 2.—PERCENTAGE CHANGE IN OUTLAYS RESULTING FROM LEGISLATIVE CHANGES ENACTED DURING 1983 ON PROGRAMS WITHIN THE JURISDICTION OF THE COMMITTEE ON WAYS AND MEANS [1]

	Fiscal year					
	1983	1984	1985	1986	1987	1988
Social security:						
Outlays	−0.8	−1.7	−1.7	−1.9	−1.9	−2.0
Outlaws and taxing benefits	−.8	−2.2	−3.3	−3.7	−3.9	−4.2
Unemployment compensation [2]	10.9	19.7	6.9			
Supplemental security income	2.0	9.7	9.6	9.1	9.0	8.8

TABLE 2.—PERCENTAGE CHANGE IN OUTLAYS RESULTING FROM LEGISLATIVE CHANGES ENACTED DURING 1983 ON PROGRAMS WITHIN THE JURISDICTION OF THE COMMITTEE ON WAYS AND MEANS [1]—Continued

	Fiscal year					
	1983	1984	1985	1986	1987	1988
Aid to families with dependent children [3]	(4)	(4)				
Title XX	0	7.7	1.1			
Medicare [5]	.2	.2	.1	−2.6	−4.3	−4.2
Total outlays	.7	.5	−.4	−1.6	−2.1	−2.1
Including taxing of benefits	.7	.2	−.4	−2.7	−3.3	−3.5

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[1] See footnotes on table 3. Includes only impact upon program outlays. Does not include food stamp and medicaid impacts listed in table 3.

[2] Includes only FSC outlays.

[3] Impact of disregarding emergency and other in-kind assistance provided by nonprofit organizations. This is listed in table 3 as an SSI impact.

[4] Less than one-tenth of 1 percent.

[5] Assumes savings from prospective payment in 1986 to 1988 are the same as if the TEFRA provisions were extended. This assumes outlay reductions of approximately 9 percent per year of hospital payments.

TABLE 3.—CONGRESSIONAL BUDGET OFFICE REVISED OUTLAY IMPACT FOR LEGISLATIVE CHANGES MADE IN CALENDAR YEAR 1983

[— (minus) means decrease in outlays; in millions of dollars]

Provision	Fiscal year					
	1983	1984	1985	1986	1987	1988
Social Security						
Delay benefit increases 6 months:						
OASDI	−1,446	−3,218	−3,395	−4,192	−4,468	−4,841
SSI	−85	−115	−140	−165	−165	−205
Veterans' pension	−21	−52	−56	−68	−72	−76
Food stamp offset	0	32	37	48	51	56
Total	−1,552	−3,353	−3,554	−4,377	−4,654	−5,066
Continue benefits on remarriage	0	14	22	23	24	26
Modify indexing of deferred survivors' benefits	0	0	0	0	1	3
Raise disabled widow(er)'s benefits to 71.5 percent of PIA	0	90	125	130	135	140
Pay divorced spouses whether or not worker has retired	0	0	6	11	12	12

TABLE 3.—CONGRESSIONAL BUDGET OFFICE REVISED OUTLAY IMPACT FOR LEGISLATIVE CHANGES MADE IN CALENDAR YEAR 1983—Continued

[— (minus) means decrease in outlays; in millions of dollars]

Provision	Fiscal year					
	1983	1984	1985	1986	1987	1988
Replace 90 percent factor for individuals receiving pensions from noncovered employment	0	0	0	−2	−5	−20
Offset spouses benefits by up to ⅔ of noncovered Government pension	0	1	2	4	6	9
Tax one-half of benefits for high income beneficiaries [1]	0	−894	−3,167	−3,769	−4,495	−5,350
All other miscellaneous and technical changes	2	10	−26	−11	−13	−31
Total	2	−779	−3,038	−3,614	−4,335	−5,211
Unemployment Compensation						
Federal supplemental benefits [2]	5,613	3,500	1,200			
Food stamp and AFDC offset	−365	−225	−80			
Total	5,248	3,275	3,120			
Deferral of interest	37	85	−137	−474	−465	−440
Total	5,285	3,360	983	−474	−465	−440
SSI						
Increase in SSI benefits	255	750	855	885	920	1,050
SSI eligibility for temporary residents of emergency shelters	1	3	3	3	3	3
Disregard in-kind assistance provided by nonprofit organizations [3]	1	2				
SSI notification		65	95	90	90	90
Food stamp impact of SSI provisions	−40	−170	−190	−195	−205	−205
Medicaid impact of SSI provisions		40	70	75	75	75
Total	217	690	833	858	883	1,003
Title XX						
Increase in funding		200	100			
Medicare						
Pass through mandatory FICA	0	150	224	150	38	7
Prospective payment system [4]				−2,086	−4,045	−4,542
Delay SNF reimbursement limit	20	22	5	3	3	4

TABLE 3.—CONGRESSIONAL BUDGET OFFICE REVISED OUTLAY IMPACT FOR LEGISLATIVE CHANGES MADE IN CALENDAR YEAR 1983—Continued

[— (minus) means decrease in outlays; in millions of dollars]

Provision	Fiscal year					
	1983	1984	1985	1986	1987	1988
Lower return on equity capital....	−10	−90	−100	−100	−40	0
DRG Commission........................	0	1	3	3	3	3
Premium delay:						
SMI..................................	113	63	−90	−202	−206	−211
HI....................................	1	(5)	(5)	(5)	(5)	(5)
Medicaid offset.................	−9	−5	7	75	16	16
Total............................	115	141	49	−2,217	−4,231	−4,723

[1] CBO estimates differ from Treasury estimates shown in table 5 because of different economic assumptions.

[2] Estimate includes the impact of all extensions and changes in the FSC program during 1983.

[3] Primarily an AFDC impact.

[4] Assumes savings from prospective payment in 1986 to 1988 are the same as if the TEFRA provisions were extended. This assumes outlay reductions of approximately 9 percent per year of hospital payments.

[5] Less than $500,000.

TABLE 4.—NUMBER OF INDIVIDUALS/FAMILIES AND AVERAGE GAIN/LOSS PER YEAR FOR SELECTED CHANGES ENACTED DURING 1982

	Number of individuals affected	Average dollar (full-year basis)
Federal supplemental benefits............	2.8 million individuals in fiscal year 1984.	$121 per week for an average of 12 weeks.
Social security:		
Delay cola 6 months.................	36 million..............................	$84.
Tax one-half of benefits............	2.2 million returns...................	$1,300 per return.
SSI:		
Increase in SSI benefits............	3.5 million..............................	$240.
SSI notification.........................	80,000 new beneficiaries........	$1,175.

TABLE 5.—EFFECT OF SOCIAL SECURITY AMENDMENTS OF 1983 ON RECEIPTS, FISCAL YEARS 1984–89

[Millions of dollars]

	1984	1985	1986	1987	1988	1989
Prohibit State and local withdrawal...............	87	311	564	818	1,107	1,418
Include all nonprofit institutions................	1,435	2,398	2,896	3,366	3,920	4,505
Include new Federal employees.................	64	181	346	556	765	971

TABLE 5.—EFFECT OF SOCIAL SECURITY AMENDMENTS OF 1983 ON RECEIPTS, FISCAL YEARS 1984–89—Continued

[Millions of dollars]

	1984	1985	1986	1987	1988	1989
Accelerate 1985 FICA/RRTA tax rate increase to 1984:						
Increase in rate	6,542	2,402				
Employee tax credit	−3,311	−1,213				
Total	3,231	1,189				
Increase FICA/RRTA tax rate to 6.06 percent on Jan. 1, 1988					10,963	15,921
Reduction in income tax receipts associated with increases in employer contributions	−1,027	−418	−355	−413	−1,855	−2,238
Increase SECA tax rate:						
Rate increase	1,427	4,257	4,237	4,555	5,068	5,950
Tax credit	−829	−2,427	−2,198	−2,120	−2,232	−2,372
Total	598	1,830	2,039	2,435	2,836	3,578
Tax 50 percent of social security and tier 1 railroad benefits	980	3,303	3,919	4,661	5,534	6,557
Employment taxation of retirement arrangements	133	224	273	329	396	476
Tax credit for the elderly and disabled	1	4	6	7	9	11
State and local government deposit schedule	747	54	56	62	67	73
Interest on unemployment compensation funds:						
Unemployment trust fund taxes	−74	−259	−461	−457	−358	−250
Interest [1]	−272	−230	167	186	151	84
Other provisions	22	31	33	35	37	40
Grand total	6,197	8,848	9,316	11,399	23,421	31,062

[1] The proposal was effective for 1983. The reduction in interest received in 1983 was $82 million.

Source: U.S. Department of the Treasury.

SOCIAL SECURITY

COVERAGE OF NEWLY HIRED FEDERAL EMPLOYEES

Prior law:

Permanent civilian employees of the Federal Government were not covered by social security (OASDI) prior to 1984. (Part-time temporary civilian employees and members of the armed forces were covered by social security.) By far the greatest number of Federal employees not covered by social security (2.7 million) participated in the civil service retirement system (CSRS) on a mandatory basis. Legislative branch employees were also not covered by social security, and had the option of not participating in CSRS. Members of Congress, the President and the Vice President were not covered under social security. As of January 1, 1983, Federal employees were covered under the medicare program and began paying the medicare portion of the social security payroll tax.

The compensation paid to Federal judges—either in senior (or inactive) status or in retirement—was not considered wages and thus was not subject to social security taxes nor was it considered for purposes of the retirement test.

Explanation of the law as amended by Public Law 98-21:

Compulsory coverage under the OASDI program is provided for Federal civilian employees of the executive, legislative and judicial branches (military employees have been covered since 1957) hired after 1983. (Beginning January 1, 1983, coverage under the HI program had already been provided for all Federal employees, including those hired before 1983, under the Tax Equity and Fiscal Responsibility Act of 1982, Public Law 97-248, which was enacted into law on Sept. 3, 1982.) Persons in Federal civilian employment before 1984 are generally not affected by this provision unless they leave Federal service for more than 365 consecutive days (beginning before or after January 1, 1984) and are rehired by the Federal Government after 1983. Compulsory coverage is provided for current employees of the legislative branch who were not participating in the civil service retirement system on December 31, 1983; for all Members of Congress; for the President and the Vice President; for Federal judges; and for most high-level political appointees in the executive branch.

Public Law 98-21 also provided that compensation received by retired Federal judges for periods in which judicial duties are performed is also considered wages under social security for both contributions and retirement test purposes. This provision affecting retired Federal judges was amended later in the 98th Congress in Public Law 98-118 to delay the effective date until January 1, 1986.

Impact:

See table 5 in this appendix.

COVERAGE OF EMPLOYEES OF NONPROFIT ORGANIZATIONS

Prior law:

Participation in the social security system was optional for nonprofit organizations (charitable, religious, and educational) prior to 1984. Most such organizations had chosen to participate, but about 15 percent of employees of nonprofit organizations were not covered under such arrangements. A nonprofit organization which had elected to participate could file to withdraw from social security after it had been in the system for 8 years, and termination was effective 2 years after the end of the calendar quarter in which the notice was filed.

Explanation of the law as amended by Public Law 98-21:

The earnings of all current and future employees of private tax-exempt nonprofit organizations are covered after 1983. Under prior law, work performed for such organizations was excluded from coverage unless the organization waived its exemption from social security taxation. Employees affected by this provision are deemed to be fully insured for social security benefits if the following conditions are met:

(a) On January 1, 1984, the employee is age 55 or older and is employed by a nonprofit organization to which coverage is extended solely as a result of Public Law 98-21, and

(b) The employee acquires after December 31, 1983, a specified number of quarters of coverage which depends on the employee's age, as follows:

Age on Jan. 1, 1984:	*Quarters of coverage required*
60 or over	6
59	8
58	12
57	16
55 or 56	20

In addition, the new law provides that social security coverage for employees of nonprofit organizations may not be terminated on or after March 31, 1983.

This provision does not change the status of ministers, who since 1967 have been covered as self-employed persons on a mandatory basis unless they choose to waive coverage on grounds of individual religious objections.

Impact:

See table 5 in this appendix.

TERMINATION OF COVERAGE BY STATE AND LOCAL GOVERNMENTS

Prior law:

Participation in social security was optional for State and local governments. Once a government had chosen to join social security, it could withdraw, after 5 years of coverage, by providing the Federal Government with 2 years advance notice of its intent to withdraw. A notice of termination became effective at the end of the calendar year 2 years after the notice was filed. Governments that had withdrawn were not allowed to rejoin. (About 70 percent of all State and local government employees were covered by social security through these agreements.)

Explanation of the law as amended by Public Law 98-21:

The new law prohibits State and local governments from terminating coverage for their employees if the termination had not taken effect by the date legislation was enacted. In addition, State and local governments which had withdrawn from the social security system are now allowed to rejoin voluntarily. Once having rejoined, the governmental entity is precluded from terminating coverage.

Impact:

See table 5 in this appendix.

WINDFALL BENEFITS FOR PERSONS WITH PENSIONS FROM NONCOVERED EMPLOYMENT

Prior law:

Social security benefits are determined through a formula based on average lifetime earnings in jobs covered by social security. The benefit formula is weighted so that persons with low average lifetime earnings receive a proportionally higher rate of return on their contributions to social security than workers with relatively high average lifetime earnings.

Workers with short periods of covered work also receive this advantage, because their few years of earnings are averaged over a much longer period (as long as 28 years for persons reaching age 62 this year) to determine their average monthly covered earnings on which the benefit is based.

This high rate of return for persons who have spent a short period of time in covered employment is what is often characterized as a "windfall" benefit.

Explanation of the law as amended by Public Law 98-21:

The computation of OASDI benefits is modified for most workers (with certain exceptions) who first become eligible after 1985 for both a pension based wholly or in part on noncovered employment and a retired- or disabled-worker's benefit under social security. This means that workers who are first eligible for either a noncovered pension or for social security benefits before January 1, 1986, are not affected by the new law, whether or not they actually begin receiving benefits before that date. The modification replaces the 90-percent factor generally applied to average indexed earnings in the first band of the benefit formula by a factor of 40 percent, after a phase-in period of 5 years (1986-90).

As an exception, the benefits for workers with 30 or more years of coverage (as defined for purposes of the special minimum benefit under the Social Security Act) will not be affected. For workers with 26, 27, 28, or 29 years of coverage, instead of 40 percent, the first factor of the benefit formula will be 50, 60, 70, and 80 percent, respectively.

The reduction in the social security benefit which results from this provision may not exceed one-half of the pro-rata portion of the pension which is attributable to uncovered employment after 1956.

Certain groups are exempted from the effects of this provision, as follows:

(a) workers who are compulsorily covered on January 1, 1984, as a result of the new law. These include a small number of current Federal employees and all nonprofit employees covered solely because of the new law except those whose past employment for a nonprofit organization had been covered, but whose employment for that organization was not covered on December 31, 1983.

(b) employees whose only pension based on noncovered employment is a railroad retirement pension.

Impact:

See table 3 in this appendix.

BENEFITS FOR CERTAIN WIDOWS, DIVORCED, AND DISABLED WOMEN

A. BENEFITS FOR SURVIVING DIVORCED OR DISABLED SPOUSE WHO REMARRIES

Prior law:

Prior law permitted the continuation of benefits for surviving spouses who remarry after age 60. However, benefits for disabled widow(er)s and disabled surviving divorced spouses (payable from age 50 to 60) and for surviving divorced spouses (payable at age 60) were terminated if the individual remarried.

Explanation of the law as amended by Public Law 98–21:

Benefits will continue for disabled and surviving divorced spouses upon remarriage if that marriage takes place after the age of first eligiblity for benefits. Effective for benefits for months after December 1983.

(No change was made in the current dual entitlement provision of the law which allows an individual to receive only the highest benefit for which such individual is eligible.)

Impact:

See table 3 in this appendix.

B. CHANGE IN INDEXING DEFERRED SURVIVOR BENEFITS

Prior law:

Survivor benefits are based on the amount of benefits that would have been payable to the deceased workers as determined by applying a benefit formula to the worker's earnings in covered employment. Under prior law, such earnings were indexed to reflect economy-wide wage increases through the second year before the death of the worker. Beginning with the year of death, thereafter benefit levels were indexed to price changes. Thus, when the worker died long before retirement age, the benefit to which the widowed spouse ultimately became eligible in old-age (or at disability) was based on outdated wages, because they had not been adjusted for the general rise in wage levels that occurred from the time of the worker's death. Consequently, spouses who became widowed at a relatively young age, but did not become eligible for benefits for many years, were deprived of the economy-wide wage increases that may have occurred since the death of their spouses.

Explanation of the law as amended by Public Law 98-21:

The new law provides for wage indexing through the year in which the worker would have reached age 60, or 2 years before the survivor's eligibility for benefits, if earlier, whenever such indexing produces a larger monthly benefit amount. This provision is effective for newly eligible survivors after 1984.

Impact:

See table 3 in this appendix.

C. INDEPENDENT ENTITLEMENT FOR DIVORCED SPOUSES

Prior law:

A divorced spouse, eligible for benefits at age 62, could not begin to draw social security benefits until the former spouse drew benefits. For some divorced women, this meant that they had to wait several years beyond their own retirement age (because their former spouse delayed retirement or otherwise failed to apply for benefits) before they could begin to draw benefits.

Explanation of the law as amended by Public Law 98-21:

The new law allows an eligible divorced spouse (who had been divorced for at least 2 years) to draw benefits if the former spouse is eligible for retirement benefits, whether or not benefits have been claimed or suspended because of substantial employment. This change is effective for benefits for months after December 1984.

Impact:

See table 3 in this appendix.

D. INCREASED BENEFITS FOR DISABLED WIDOWS

Prior law:

Social security benefits for widows and widowers are first payable at age 60. Benefits are payable in full (i.e., 100 percent of the worker's primary insurance amount) at age 65, and at reduced rates at ages 60-64 (i.e., phasing up from 71.5 percent of the primary insurance amount at age 60). Under prior law benefits were also payable at reduced rates to disabled widows and widowers aged 50-59 (i.e., phasing up from 50 percent of the primary insurance amount at age 50).

Explanation of the law as amended by Public Law 98-21:

The provision increased the benefits, beginning in 1984, for any person who is or ever was entitled to benefits before age 60 as a disabled widow or widower. Previous law required that the initial benefits of such persons would vary from 50 to 71.5 percent of the primary insurance amount for ages at entitlement ranging from 50 to 60. The new law provides a 71.5 percent benefit rate for all such beneficiaries.

Impact:

See table 3 in this appendix.

DELAY COST-OF-LIVING ADJUSTMENT

Prior law:

(a) Beginning in 1975, social security benefits were adjusted automatically every year to reflect increases in the Consumer Price Index (CPI). This cost-of-living adjustment was equal to the rise in the average CPI of the first quarter of the previous year in which a benefit increase was provided to the average of the first quarter of the current year. Under the law no cost-of-living increase was to be provided in any year in which the increase in the CPI is less than 3 percent. This increase was provided until 1983 for the June benefit (July check.).

Explanation of the law as amended by Public Law 98-21:

The effective month for automatic cost-of-living increases in OASDI benefits is changed from June to December of each year, beginning in 1983. The period over which the increase in the CPI was measured to determine the benefit increase for December 1983 was unchanged from previous law (the period was from the first quarter of 1982 through the first quarter of 1983). However, the benefit increases in 1984 and later years are to be based on the CPI increase from the third quarter of the last year in which a benefit increase is provided through the third quarter of the year in which the benefit increase becomes effective.

Impact:

According to the Congressional Budget Office, this provision will reduce total Federal outlays by $1,552, $3,353, and $3,554 million for fiscal years 1983 to 1985 respectively. In 1983, the average recipient received his monthly increase of $15 six months later.

ADJUSTMENTS IN THE NORMAL RETIREMENT AGE AND LIBERALIZATION OF THE EARNINGS TEST

Prior law:

Normal retirement age (i.e., the age at which full retirement benefits can be received) is age 65. Early retirement benefits are available at age 62 at a rate of 80 percent of the full benefit. Medicare and SSI benefits are also available at age 65. Unreduced retirement benefits are available to workers, spouses, and widows and widowers at age 65. Actuarially reduced benefits are available at age 62 for workers and spouses and at age 60 for widows and widowers.

Social security beneficiaries under age 70 who work and have earnings are subject to a one dollar reduction in benefits for every two dollars of earnings, when their earnings exceed certain exempt amounts. For 1984, the annual exempt amount is $6,960 for people age 65 and older. The annual exempt amount is increased periodically, usually every year, according to increases in wages.

Explanation of the law as amended by Public Law 98-21:

The normal retirement age (i.e., the earliest age at which unreduced retirement benefits can be received) will be gradually increased from age 65 to 67. For persons attaining age 62 in 2000, the normal retirement age will be increased by 2 months—to age 65 and 2 months. In each succeeding year, the normal retirement age will be increased by 2 additional months until it reaches age 66 for persons attaining age 62 in 2005. The normal retirement age will then remain at age 66 for persons attaining age 62 through 2016. Beginning with persons attaining age 62 in 2017, the normal retirement age will again increase by 2 months each year, until it reaches age 67 for persons attaining age 62 in 2022 and later.

The minimum age of eligibility for reduced benefits will remain unchanged at age 62 (age 60 for widows and widowers). However, when the normal retirement age begins to increase, there will be corresponding increases in the amount of reduction for early retirement. The amount of reduction will be 5/9 of 1 percent for each of the first 36 months of early retirement (as under present law), and 5/12 of 1 percent for each month in excess of 36. Thus, for persons attaining age 62 during 2005-2016, for whom the normal retirement age will be 66, the reduced benefit payable at age 62 will be 75 percent of the PIA. For persons attaining age 62 in 2022 and later, for whom the normal retirement age will be 67, the reduced benefit payable at age 62 will be 70 percent of the PIA. The change does not affect the age of eligibility for medicare, nor is there an increase in the maximum reduction for widow(er)s. Widow(er)s will continue to be eligible for 71.5 percent of the full benefit at age 60, but the age at which 100 percent of the benefit is payable will be raised in conjunction with the increase in the normal retirement age.

Beginning in 1990, the benefit withholding rate under the retirement test will be reduced from $1 for each $2 of earnings over the annual exempt amount to $1 for each $3 of excess earnings, for beneficiaries who have reached the normal retirement age (age 65 in 1990-99). When the normal retirement age begins to increase in 2003, the age at which the reduced withholding rate will apply will also increase.

Impact:

See table 19 in section 5 for an estimate of the long run impact upon the OASI trust funds.

DELAYED RETIREMENT CREDIT

Prior law:

Persons who delayed retiring—and claiming social security benefits—beyond age 65 received increases in their benefits amounting to 3 percent per year for each year they delayed retirement up to age 72.

Explanation of the law as amended by Public Law 98-21:

The new law gradually increases the delayed retirement credit for persons who attain the normal retirement age from 3 percent to 8 percent per year between 1990 and 2008. In order to conform to the reduction in the age at which the earnings test no longer applies, the new law lowers the age after which the delayed retirement credit will no longer be given from age 72 to 70 for those who attain age 70 after December 1983.

Impact:

See table 19 in section 5 for an estimate of the long run impact upon the OASI trust fund.

MODIFICATION IN COST-OF-LIVING INCREASES DURING PERIODS OF LOW TRUST FUND BALANCES (STABILIZER PROVISION)

Prior law:

Social security benefits were adjusted automatically periodically (every year from 1975 to 1982) to reflect increases in the Consumer Price Index without regard to the status of the trust fund reserves.

Income to the social security system depends on the level of wages on which social security contributions are made. When increases in prices outrun increases in wages, income to the trust fund falls behind increases in benefit payments. Cash flow problems could then result, depending on whether accumulated fund reserves are sufficient to make up the gap between income and outlays.

There was no mechanism under prior law to adjust trust fund outlays and revenues to take account of economic fluctuations.

Explanation of the law as amended by Public Law 98-21:

Beginning with the December 1984 benefit increase, future automatic increases in benefits will be limited, under the stabilizer provision, to the lower of the increases in wages or prices if the combined assets of the OASI and DI Trust Funds, as a percentage of estimated annual expenditures, fall below a specified level. This specified level is 15 percent for benefit increases in 1984 through 1988, and 20 percent for benefit increases in 1989 and later. If assets fall below that level, the automatic benefit increases will be the smaller of (1) the increase in prices as measured by the CPI (the same benefit increase that would apply if the level of trust fund assests were not below the specified levels of 15 percent or 20 percent) or (2) the increase in average wages in the previous year as compared with the second preceding year—which is used for purposes of adjustments in the contribution and benefit base and in other wage-indexed program amounts.

The new law also provides for "catch-up" benefit increases for those beneficiaries whose benefit increases were reduced as a result of this provision. Specifically, when the assets of the combined OASI and DI Trust Funds exceed 32 percent of estimated annual expenditures, additional increases in benefits are provided, to the extent that funds are available above the 32-percent trust fund level, until benefits are increased to the level at which they would have been if all increases had been based on CPI increases.

Impact:

The Congressional Budget Office projects that this provision will not affect cost-of-living increases during any of the next five years. This is true even under the low growth budget scenario.

FIXED MONTHLY TAX TRANSFERS

Prior law:

Social security benefits are financed by a payroll tax fixed in the law. While benefits are paid out within the first five days of each month, under prior law payroll tax revenues were estimated daily by the Treasury, and credited to the trust fund accounts each day.

Explanation of the law as amended by Public Law 98-21:

The new law provides that the estimated amount of social security taxes to be received each month shall be transferred from the general fund of the Treasury to the trust funds on the first day of the month, instead of on a daily basis as taxes are collected. This provision, which essentially allows short-term loans by the general fund to the trust funds, requires that the trust funds pay interest on such advance tax transfers. The net effect is to make funds available when needed to pay benefits, which are normally paid on the third of each month, thus decreasing the possibility that benefits could not be paid when reserve funds fall to a low level. The provision became effective on the first day of the month following enactment.

INTERFUND BORROWING REINSTATEMENT

Prior law:

Interfund borrowing among the OASI, DI and HI trust funds was authorized during 1982, but this authority terminated at the end of the year.

Explanation of the law as amended by Public Law 98-21:

The new law reinstates the interfund borrowing authority that expired at the end of 1982 and extends it through the end of 1987. The new law also adds certain requirements as to when loans can be made, when they must be repaid, and when interest must be paid, as follows: (1) interest would be paid monthly to HI on any outstanding loans to OASDI; (2) OASDI could not borrow from HI in any month in which the HI trust fund ratio is under 10 percent (with no more to be borrowed than would reduce such ratio to 10 percent); (3) in 1983-87, OASDI would repay loans from HI whenever the OASDI fund ratio at the end of the year exceeds 15 percent; and (4) in 1988-89, OASDI would repay HI, in 24 equal monthly payments, the loan balance outstanding at the end of 1987 (plus interest on any outstanding loan balance). Faster payment would be authorized.

Similar protections would be provided for the OASI and DI trust funds in the event that HI were to borrow from OASDI.

MANAGING TRUSTEE REPORT TO THE CONGRESS CONCERNING TRUST FUND SHORTFALLS

Prior law:

If at any point revenues from the payroll tax exceed amounts needed for benefit payments, the excess is placed in the trust fund reserve. If revenues fall short of the amount needed, the reserves are drawn on to make up the difference. If the reserves are not adequate to make up the shortfall, the trust funds have no way of making benefit payments on time. (See provision above for fixed monthly tax transfers.) The Board of Trustees is required to report immediately to the Congress if any of the trust funds is unduly small.

Explanation of the law as amended by Public Law 98-21:

Requires the Board of Trustees to report immediately to the Congress whenever it is of the opinion that the amount of any of the trust funds may become unduly small and recommend a specific legislative plan to adjust the inflow and outgo of funds to remedy this shortfall with due regard to the economic situation that created the problem and the amount of time available to act in a prudent manner. It is the intent that such legislative action would be effective only so long as is necessary to restore the fund to solvency.

The Trustee's report to the Congress must provide specific information as to the extent to which benefits would have to be reduced, payroll taxes increased, or some combination thereof, in order to restore the trust fund to solvency.

TAXATION OF SOCIAL SECURITY (OASDI) BENEFITS FOR HIGHER-INCOME PERSONS

Prior law:

Social security benefits and railroad retirement benefits were excluded from gross income for purposes of the Federal income tax.

Explanation of the law as amended by Public Law 98-21:

Beginning in 1984, as much as one-half of OASDI benefits (and railroad retirement tier 1 benefits) are to be included in taxable income for taxpayers with incomes above certain base amounts. The sum of a taxpayer's (1) adjusted gross income, (2) tax-free interest income and (3) one-half of OASDI benefits is compared to a base amount of $25,000 for a single taxpayer, or $32,000 for a married couple filing a joint tax return. If the sum exceeds the base amount, the amount of benefits to be included in taxable income is the lesser of:

(a) one-half of the excess of such sum over the base amount, or
(b) one-half of the amount of benefits received.

The revenue raised by this taxation of benefits will be automatically transferred to the OASDI Trust Funds.

The new law does not provide for indexing the base amounts of $25,000 and $32,000. These amounts are, therefore, scheduled to remain the same in all future years.

Impact:

The Congressional Budget Office estimates increased taxes of $849; $3,167; and $3,769 million for fiscal years 1984 to 1986 respectively. Approximately 2.2 million returns will have an average increase in tax liability of $1,300 in calendar year 1984. This provision affects some 3.1 million beneficiaries.

1984–90 Social Security Tax Rates and 1984 Credit

A. FICA TAX RATES

Prior law:

As a result of the 1977 Social Security Amendments, several increases in payroll tax rates were scheduled to take effect between 1984 and 1990 as indicated below:

	Employer-Employee Rate (Each)		
	OASDI	HI	OASDI-HI
1984	5.4	1.30	6.70
1985	5.7	1.35	7.05
1986	5.7	1.45	7.15
1987	5.7	1.45	7.15
1988	5.7	1.45	7.15
1989	5.7	1.45	7.15
1990	6.2	1.45	7.65

Explanation of the law as amended by Public Law 98–21:

The new law advances the payroll tax increase scheduled for 1985 to 1984 and part of the increase scheduled for 1990 to 1988, as indicated below:

	Employer-Employee Rate (Each)		
	OASDI	HI	OASDI-HI
1984	5.70	1.30	7.00
1985	5.70	1.35	7.05
1986	5.70	1.45	7.15
1987	5.70	1.45	7.15
1988	6.06	1.45	7.51
1989	6.06	1.45	7.51
1990	6.20	1.45	7.65

Impact:

See table 5 in this appendix.

B. TAX CREDIT FOR 1984 EMPLOYEE FICA TAXES

Prior law:

No deduction or credit was available for employee FICA taxes.

Explanation of the law as amended by Public Law 98-21:

A credit of 0.3 percent of wages is allowed against 1984 employee FICA taxes, which reduces the net FICA rate to 6.70 percent. Appropriations to trust funds are based on a 7.00 percent rate. Employee's annual withholding statements (form W-2) will indicate the net amount of FICA tax (i.e., the 6.7% of taxable wages actually deducted from their paychecks). Conforming changes were made in Tier 1 railroad retirement tax rates and the credit against 1984 employee taxes would be allowed against employee railroad taxes.

Impact:

See table 5 in this appendix.

TAX ON SELF-EMPLOYMENT INCOME

Prior law:

The Self-Employment Contributions Act (SECA) imposes two taxes (OASDI and HI) on self-employed individuals. Under old law self-employed persons paid an OASDI tax at a rate approximately equal to 75 percent of the combined employer-employee rate and an HI tax at a rate that was 50 percent of the combined employer-employee rate.

No deduction or credit was available for SECA taxes.

Explanation of the law as amended by Public Law 98-21:

Beginning in 1984, the OASDHI rates for self-employed persons is equal to the combined employer-employee OASDHI rate.

Beginning in 1984, self-employed persons are allowed a credit (comparable to the credit allowed employers against the FICA tax) against SECA tax as follows:

1984: 2.7 percent.
1985: 2.3 percent.
1986-89: 2.0 percent.

The SECA tax credit may be directly taken into account in computing SECA liability for a taxable year and estimated tax payments for that year. Appropriations to the trust funds would be based on the full SECA tax rates without regard to the credit allowed against such taxes.

Beginning in 1990, the credit will be eliminated, and self-employed persons will be allowed to deduct from their net earnings from self-employment an amount equal to such income multiplied by one-half of the social security tax rate for the self-employed. The result will be multiplied by the entire tax rate for the self-employed, and that product will be the social security tax liability for the year (with the usual limitations imposed by the annual earnings base). Half of the social security tax liability will be deductible in computing Federal income taxes for the self-employed. The effect of this procedure will be to place self-employed persons in roughly the same position as employees in regard to their social security and Federal income taxes.

Impact:

See table 5 in this appendix.

Credit for the Elderly and Disability Income Exclusion

A. CREDIT FOR THE ELDERLY

Prior law:

1. *Eligible individuals and credit rate.*—Individuals age 65 or over, or under 65 and with income from a public retirement system, were eligible for a credit equal to 15 percent of a base amount.

2. *Base amount.*—The initial amount of the base was:

$2,500—married with one spouse eligible or unmarried.
$3,750—married, joint return, both spouses eligible.
$1,875—married filing separately.

For individuals under age 65, the initial amount was limited to income from a public retirement system.

The intial amount was reduced by:

1. Pensions or annunities received under Social Security, Railroad Retirement, and certain other pensions and annunities otherwise excluded from gross income, and
2. One-half of the excess of adjusted gross income over:
    $7,500—single returns.
    $10,000—married, joint return.
    $5,000—married, separate return.

This reduction did not apply to individuals under age 65. Instead the initial amount was reduced by certain amounts of earned income.

Explanation of the law as amended by Public Law 98-21:

1. *Eligible individuals and credit rate.*—Same as present law, except that individuals under age 65 are eligible only if they retired with a permanent and total disability and have disability income from a public or private employer on account of that disability.

2. *Base amount.*—The initial base amount is:

$5,000—married with one spouse eligible or unmarried.
$7,500—married, joint return, both spouses eligible.
$3,750—married filing separately.

For individuals under age 65, the initial amount is limited to disability income.

The initial amount is reduced by:

1. Pensions or annuities received under social security, Railroad Retirement, and certain other pensions and annuities otherwise excluded from gross income (as under present law). In addition, social security and railroad disability benefits also reduce the initial amount.

2. One-half of adjusted gross income over:
   $7,500—single returns.
   $10,000—married, joint return,
   $5,000—married, separate return.

The same rules for reducing the initial amount would apply to all eligible individuals.

Impact:

See table 5 in the appendix.

B. DISABILITY INCOME EXCLUSION

Prior law:

Amounts received under an employer's disability income plan generally were includible in gross income to the extent attributable to employer contributions. However, permanently and totally disabled individuals who had retired on disability and were under 65 could exclude such income within certain limits. The excluded amount was limited to $100 per week and was reduced by the excess of adjusted gross income from $15,000.

Explanation of the law as amended by Public Law 98-21:

The disability income exclusion is repealed. Affected individuals are made eligible for the credit for elderly and disabled persons to the extent of disability income (see above). The provision applies to taxable years beginning after December 31, 1983.

REALLOCATIONS OF OASI AND DI TRUST FUNDS

Prior law:

The OASDI tax rate was allocated as indicated below:

[Percent]

	OASI	DI
Employees and employers, each:		
1984	4.575	0.825
1985-89	4.750	0.950
1990 and after	5.100	1.100
Self employed:		
1984	6.8125	1.2375
1985-89	7.1250	1.4250
1990 and after	7.6500	1.6500

Explanation of the law as amended by Public Law 98-21:

The new law reallocates the OASDI tax so that both funds will have about the same fund ratios, as indicated below:

[Percent]

Calendar year	Total for OASDI and HI	OASI	DI	OASDI	HI
Employees and employers, each					
1982	6.70	4.575	0.825	5.40	1.30
1983	6.70	4.775	.625	5.40	1.30
1984	7.00	5.200	.500	5.70	1.30
1985	7.05	5.200	.500	5.70	1.35
1986–87	7.15	5.200	.500	5.70	1.45
1988–89	7.51	5.530	.530	6.06	1.45
1990–99	7.65	5.600	.600	6.20	1.45
2000 and later	7.65	5.490	.710	6.20	1.45
Self-employed persons					
1982	9.35	6.8125	1.2375	8.05	1.30
1983	9.35	7.1125	.9375	8.05	1.30
1984	14.00	10.4000	1.0000	11.40	2.60
1985	14.10	10.4000	1.0000	11.40	2.70
1986–87	14.30	10.4000	1.0000	11.40	2.90
1988–89	15.02	11.0600	1.0600	12.12	2.90
1990–99	15.30	11.2000	1.2000	12.40	2.90
2000 and later	15.30	10.9800	1.4200	12.40	2.90

REIMBURSEMENT TO TRUST FUNDS FOR MILITARY WAGE CREDITS AND UNCASHED OASDI CHECKS

A. MILITARY WAGE CREDITS

Prior law:

Gratuitous military wage credits are provided to persons who served in the military after September 16, 1940. Although members of the armed forces were compulsorily covered under social security in 1957, wage credits continue to be provided to military personnel in recognition of the value of non-cash compensation received.

The cost of the additional benefits and the administrative expenses arising from these non-contributory wage credits were borne by the General fund on a retroactive reimbursement basis (i.e., the costs were reimbursed only after benefits were paid).

Explanation of the law as amended by Public Law 98–21:

Under the new law, the estimated present value of the additional past and future costs attributable to wage credits for military service before 1957, less the accumulated value of past reimbursements, was paid in a lump-sum transfer on May 20, 1983. For the deemed wage credits based on military service in 1957–83, a similar lump-sum transfer was made on the same date to reflect the differences, accumulated with interest, between what was actually paid in the past and what would have been paid if such deemed wage credits had been taxed at the combined employee-employer rate. For deemed wage credits based on military service after 1983, a transfer will be made on July 1 of each year in an amount equal to what would be paid if such deemed wages in the year were taxed at the combined employee-employer rate.

Impact:

See tables 9 and 10 in section 5 for an estimate of the impact upon the trust funds.

B. UNCASHED OASDI CHECKS

Prior law:

The trust funds were not credited for any uncashed OASDI benefit checks. Instead, the value of benefit checks which are not cashed remained in the General Fund of the Treasury.

Explanation of the law as amended by Public Law 98-21:

The new law provides reimbursement to the Social Security trust funds for all past and future benefit checks that remain uncashed 6 months after being issued. under previous law, the total amount for all checks issued was deducted from the trust funds, and such unnegotiated checks were never reimbursed. Lump-sum reimbursements for past uncashed checks will be made in 1983, subject to the appropriations process. Future reimbursements are also subject to the annual appropiations process.

Impact:

See table 9 in section 5 for an estimate of the impact upon the OASI trust fund.

C. PUBLIC PENSION OFFSET

Prior law:

Under a provision enacted in 1977, people becoming eligible for a public pension on their own account after November 1982, generally had the amount of any social security dependents or survivors' benefits reduced dollar-for-dollar on account of that public pension.

Under a provision adopted in 1982 persons who become eligible for a public pension after November 1982 and before June 1983 who meet a "one-half support" dependency test were exempt from the offset.

Explanation of the law as amended by Public Law 98-21:

The new law provides that any person becoming eligible after June 1983 for both a pension based on noncovered governmental employment and a Social Security benefit as a spouse or widow(er) will have that Social Security benefit reduced by two-thirds of the amount of the noncovered pension.

Impact:

See table 3 in this appendix.

ACCELERATE STATE AND LOCAL DEPOSITS

Prior law:

Prior law required the deposit of withheld social security taxes for State and local employees within 30 days after the end of the month in which the applicable wages were paid.

Explanation of the law as amended by Public Law 98-21:

The new law would apply the same social security tax deposit requirements to State and local governments that now apply to private employers. This is effective for deposits required to be made after December 1983.

Impact:

See table 5 in this appendix.

MEDICARE

PROSPECTIVE PAYMENTS FOR MEDICARE INPATIENT HOSPITAL SERVICES

Prior law:

Medicare payment amounts were retrospectively determined based upon a hospital's reasonable costs, subject to the limits established by TEFRA. Certain reimbursement limits were applied to (1) hospital inpatient operating costs ("section 223" limits) and (2) the rate of increase in inpatient operating costs (this limit expires after fiscal year 1985).

Explanation of the law as amended by Public Law 98-21:

Effective for hospital cost reporting periods that begin on or after October 1, 1983, medicare payment for hospital inpatient services will be made according to a new prospective payment system, rather than on a reasonable cost basis. Medicare payments will be made at predetermined, specific rates which represent the average cost, nationwide, of treating a medicare patient according to his or her diagnosis. The classification system used to group hospital inpatients according to their diagnoses is known as Diagnosis Related Groups (DRGs). The law (P.L. 98-21, the Social Security Amendments of 1983) provides for a 3-year transition period during which a declining portion of the total prospective payment will be based on a hospital's historical reasonable costs and an increasing portion will be based on a combination of regional and national DRG rates. In the fourth year of the program and thereafter, Medicare payments will be determined totally under a national DRG payment methodology. If a hospital can treat a patient for less than the payment amount, it can keep the savings. If the treatment costs more, the hospital must absorb the loss. In general, a hospital is prohibited from charging medicare beneficiaries any amounts (except for deductibles, coinsurance amounts, and services not covered by medicare) which represent any difference between the hospital's cost of providing covered care and the medicare DRG payment amount. By regulation, hospitals are permitted to charge beneficiaries who elect to stay in the hospital, at a time beginning 2 days after they have been notified that care no longer is required.

For a more detailed description, the reader is referred to Appendix D.

In addition to the changes made in how hospitals are reimbursed, several studies, reports and demonstrations are mandated. Public Law 98-21 requires the Secretary to study and report to Congress on the following:

Capital-related costs, due within 18 months after enactment.

Annual reports on the impact of the prospective payment methodology, due annually at the end of each year for 1984 through 1987.

Physicians' services to hospital inpatients, during fiscal year 1984, requires the Secretary to begin the collection of data necessary to compute, by DRGs, the amount of physician charges for services furnished to hospital inpatients classified in those DRGs; requires the Secretary to include recommendations in a report to Congress in 1985.

Urban/rural rates, due at the end of 1985 as part of the 1985 annual report.

Prospective payments for hospitals not included in the system, whether, and the method under which, hospitals not paid under the prospective system can be paid on a prospective basis for inpatient services; due at the end of 1985 as part of the 1985 annual report.

Payments for outliers/intensity, due by the end of 1985 as part of the 1985 annual report.

Payments for all payers of hospital care, due by the end of 1985 as part of the 1985 annual report.

Impact on admissions, due by the end of 1985 as part of the 1985 annual report.

Impact of State systems, due as part of the 1986 annual report.

Sole community hospitals, information transfer between Parts A and B, uncompensated care, and making hospital cost information available, due no later than April 1, 1985.

Payments to hospitals in the territories, including Puerto Rico, due before April 1, 1984.

Skilled nursing facilities (SNFs), due prior to December 31, 1983. (As of this printing, the report had not been received.)

Prospective Payment Assessment Commission. Public Law 98-21 requires the Director of the Congressional Office of Technology Assessment (OTA) to appoint by April 1, 1984, a commission of 15 independent experts, known as the Prospective Payment Assessment Commission. The Commission is required to review the percentage increase used to update the DRG payment rates for fiscal year 1984 and fiscal year 1985 and make recommendations to the Secretary on the appropriate percentage change for fiscal years beginning with fiscal year 1986. In addition, the Commission must: (a) consult with and make recommendations to the Secretary on the need for adjustments to the DRG classifications, the methodology for classifying specific hospital discharges within the DRGs, and weighting factors for the DRGs, and (b) report to Congress its evaluation of any adjustments which the Secretary makes.

Impact:

CBO estimates additional HI outlay savings of $2,086, $4,045, and $4,542 million for fiscal years 1986 to 1988 respectively. These estimates assume that the savings under the prospective reimbursement equal the savings if the TEFRA provisions were extended. This assumes outlay savings in HI of approximately 9 percent.

DELAY OF SINGLE REIMBURSEMENT LIMIT FOR SKILLED NURSING FACILITIES (SNF'S)

Prior law:

Section 102 of the Tax Equity and Fiscal Responsibility Act of 1982 required the Secretary to establish a single reimbursement limit for both hospital-based and free-standing SNFs to be effective for cost reporting periods beginning on or after October 1, 1982.

Explanation of law as amended by Public Law 98–21:

The Act delays the effective date for the single reimbursement limit for SNFs from cost reporting periods beginning on or after October 1, 1982, to cost reporting periods beginning on or after October 1, 1983. In addition, the Secretary is required to complete a study and report to Congress on the effect the single limit would have on hospital-based SNF's and the impact on SNF's of hospital prospective payment systems, and recommendations concerning payment of SNF's.

Impact:

CBO projects outlay increases of $20, $22, and $5 million for fiscal years 1983 to 1985 respectively.

SHIFT IN MEDICARE PREMIUMS TO COINCIDE WITH COST-OF-LIVING INCREASE

Prior law:

Under prior law, the medicare monthly premium for Part B physician coverage increased each July 1. This coincided with the cost-of-living increases in the social security program. For those people receiving social security benefits, the premium is deducted from their checks.

Explanation of the law as amended by Public Law 98–21:

The Act postpones from July 1, 1983, to January 1, 1984, and to each January thereafter, the effective date of increases in medicare premiums to coincide with the delay in the cost-of-living increases in social security cash benefit payments. For the six-month period from July 1, 1983 to January 1, 1984, the general revenue contribution replaced the lost premium revenue.

RETURN ON EQUITY

Prior law:

Under prior law, medicare reimbursed proprietary institutions a return on equity equal to one and one-half times the rate of interest paid by the Federal Treasury on the assets of the Hospital Insurance Trust Fund.

Explanation of the law as amended by Public Law 98-21:

Effective with respect to cost reporting periods beginning on or after the date of enactment, the rate of return on equity will be reduced from one and one-half times to an amount equal to the rate of interest paid by the Federal Treasury on the assets of the Hospital Insurance Trust Fund.

Impact:

CBO estimates reduced outlays of $10, $90 and $100 million for fiscal years 1983 to 1985 respectively.

HOSPICE CAP

Prior law:

Public Law 97-248 authorizes coverage under medicare part A for hospice care for terminally ill beneficiaries with a life expectancy of six months or less. An annual cap on reimbursement was included based on a formula specified in the statute. The Administration, based on the statutory language, calculated that the cap would be $4,232, which is significantly less than the Congress had anticipated when it passed P.L. 97-248.

Explanation of law as amended by Public Law 98-90:

An annual cap on reimbursement was established at $6,500, indexed annually by the medical care expenditures category of the consumer price index.

Impact:

No budgetary impact.

UNEMPLOYMENT COMPENSATION

EXTENSION OF FEDERAL SUPPLEMENTAL COMPENSATION PROGRAM

Prior law:

Under prior law, the Federal Supplemental Compensation program (FSC), which provides additional weeks of unemployment benefits to individuals who have exhausted all other State and Federal unemployment benefits, was due to expire on March 31, 1983.

Explanation of law as amended by Public Laws 98-21, 98-118, and 98-135:

During 1983, Federal supplemental benefits were extended three times. The first extension was for six months and was part of the Social Security Amendments of 1983 (Public Law 98-21). The next extension with no change from existing law was for three weeks (Public Law 98-118) and the last extension (Public Law 98-135) extended the program through the week of March 31, 1985.

Under Public Law 98-21 the FSC program was extended for 6 months from April 1, 1983 through September 30, 1983. The same provisions were extended through the week of October 16 as a result of Public Law 98–118.

Effective April 1, 1983, FSC benefits were payable as follows:

(a) Basic FSC Benefits.—Individuals who began receiving FSC on or after April 1, 1983 could receive up to a maximum of:

(1) 14 Weeks in States with average IUR 6.0 percent and above;
(2) 12 weeks in States with average IUR 5.0 to 5.9 percent;
(3) 10 weeks in States with average IUR 4.0 to 4.9 percent;
(4) 8 weeks in all other States.

The maximum number of weeks payable in a State after April 1, 1983 could be no more than 4 weeks less than the maximum number payable on March 27, 1983.

(b) Additional FSC Benefits.—Individuals who exhaust FSC on or before April 1, 1983 could receive additional weeks of FSC benefits up to a maximum of:

(1) 10 weeks in States with IUR at 6.0 and above
(2) 8 weeks in States with IUR at 5.0 to 5.9
(3) 6 weeks in all other States.

(c) Transitional FSC Benefits.—Individuals who begin receiving FSC before April 1, 1983 and have some FSC entitlement remaining after that date, could also receive additional weeks under (b) above. However, the combination of their remaining basic FSC entitlement received after April 1, 1983, and the additional weeks provided in (b), cannot exceed the maximum number of weeks of basic FSC benefits payable in the State, shown in (a) above.

(d) Phaseout FSC Benefits.—Individuals who have not exhausted their FSC entitlement on September 30, 1983, when the program expires, would be eligible to receive up to 50 percent of their remaining FSC entitlement. No new claimants would be added to the FSC program on or after September 30, 1983.

Under Public Law 98–135, the FSC program, with modifications, was extended effective from the week of October 23, 1983 through the week of March 31, 1985.

Basic FSC Benefits.—The maximum number of basic weeks of FSC payable in the States ranges from 8 to 14 weeks. The maximum in each State will be determined by the State's moving 13 week average insured unemployment rate (IUR), as determined in the current Extended Benefit and FSC programs, *or* the State's cumulative average IUR since January 1, 1982 and through the second preceding calendar quarter. (To determine basic FSC weeks payable the week of October 23, 1983, the first week of this extension, the cumulative average IUR included the weeks of January 1, 1982 through June 1983.)

A maximum of:

(a) 14 weeks is payable in States with a moving 13 week average insured unemployment rate (IUR) of at least 6.0 percent *or* a cumulative average IUR since January 1, 1982 of at least 5.5 percent.

(b) 12 weeks is payable in States with a moving 13 week average IUR 5.0 to 5.9 percent *or* a cumulative average IUR since January 1, 1982 of 4.5 to 5.4 percent.

(c) 10 weeks is payable in States with a moving 13 week average IUR 4.0 to 4.9 percent.

(d) 8 weeks is payable in all other States.

Unemployed workers who first apply for FSC benefits for or after the week of October 23, 1983, receive weeks of FSC benefits equal to 55 percent of the number of weeks of regular State unemployment benefits they received, up to the maximum number of basic FSC benefits payable in the State in the week in which they first filed their claims.

There was no adjustment, or tiering up or down, in the basic FSC entitlement of individuals who received or who exhausted benefits before the week of October 23, 1983. The basic FSC entitlement of these individuals remained at the level established under the law in effect the week of October 16, 1983.

Reach-back and Transitional Benefits.—Individuals who first became eligible for FSC between April 1, 1983 and the week of October 23, 1983 could receive the following amounts of reach-back or transitional benefits:

(a) a maximum of 5 weeks of reach-back benefits would be paid to individuals who exhaust FSC benefits before week of October 23, 1983;

(b) a maximum of 4 weeks of transitional benefits in 12 and 14 basic week states, and 2 weeks of transitional benefits in 8 and 10 basic week states, would be paid to individuals who, under current law, are eligible for FSC benefits the week of October 16 and subsequent weeks.

However, individuals who qualify for reach-back or transitional weeks cannot receive more weeks of FSC benefits after October 23, 1983 than the maximum number of basic weeks of FSC payable in the State as of that date.

Limitation on Reduction of Basic Weeks Payable in a State.—Beginning with the week of October 23, 1983, (a) the maximum number of basic weeks payable in a State will be adjusted (up or down) no more frequently than every thirteen weeks; and, (b) a single adjustment shall not exceed two weeks.

Limitation on Reduction of FSC Weeks Payable to Individuals.—Beginning with the week of October 23, 1983, individuals will continue to be eligible for the number of FSC weeks to which they were entitled at the time they first qualified for FSC, regardless of changes (up or down) in the number of basic weeks payable in the State. As under current law, an individual who makes an interstate claim for FSC benefits will receive the lesser of (a) the number of weeks of FSC payable in the State in which he receives the benefits or (b) the maximum number of weeks payable in his or her former State.

Impact:

The CBO budget office projects additional FSC outlays as a result of these extensions of $5,613, $4,040, and $1,400 million for fiscal years 1983 to 1985 respectively. During fiscal year 1984, some 2.8 million beneficiaries will receive an average weekly payment of $121 for an average of 12 weeks.

LIMITATION ON DISQUALIFICATION OF FSC CLAIMANTS WHO ENROLL IN TRAINING

Prior law:

The Federal Unemployment Tax Act provided, as a condition for employers in a State to receive the normal FUTA tax credit, that the State law not deny unemployment compensation to otherwise eligible claimants for any week during which they are attending a training course with the *approval* of the State agency. Many States frequently disapprove of training, however. In addition, State laws must provide that individuals in approved training must not be denied benefits because they are unavailable for work, are not actively searching for work, or have refused suitable work.

Explanation of law as amended by Public Law 98-21:

The Act prohibits the denial of FSC to any otherwise eligible claimant for any week because: (1) the claimant is attending training or an accredited educational institution on a full-time basis; or (2) because of State law requirements that the claimant must be available for work, actively searching for work, or must not have refused work during the training, unless the State agency determines that the training will not improve the claimant's employment opportunities.

Effective date:

Effective April 20, 1983.

DEFERRAL OF INTEREST PAYMENTS ON STATE LOANS FROM THE FEDERAL UNEMPLOYMENT ACCOUNT

Prior Law:

Prior Law imposed interest of up to 10 percent per year on Federal unemployment compensation loans obtained by the States after April 1, 1982, except for "cash flow" loans that States repay by the end of the fiscal year in which the loans were obtained. A State with high unemployment can defer payment of, and extend the payment for, 75 percent of interest charges due in any year. The State must pay one-third of the deferred amount in each of the three years following the fiscal year for which it is due. Interest is charged on the deferred interest. In order to qualify for this deferral and extension of the payment period, the State insured unemployment rate must have equaled or exceeded 7.5 percent during the first 6 months of the preceding calender year.

Explanation of law as amended by Public Law 98-21:

(a) The Act makes the provisions imposing interest on loans to States permanent.

(b) The Act also allows States to defer 80 percent of the interest due for a fiscal year, effective for interest accrued in fiscal years 1983, 1984, and 1985. The deferred amount would be payable in 4 installments in the succeeding years equal to at least 20 percent of the original amount due. A State would be required to meet conditions 1 and 2(A) or 2(B) below to qualify for the deferral:

(1) no action has been taken to reduce its tax effort or trust fund solvency; and

(2)(A) action (certified by the Secretary of Labor) has been taken after March 31, 1982 which increases revenues and decreases benefits by a total of 25 percent in the calendar year immediately following the fiscal year for which the first deferral is requested; and, deferral of interest due for the years immediately following the year in which the first year change is effective may be received if changes of 35 and 50 percent are made; or,

(B) for taxable year 1982, total State UC tax revenues equaled at least 2 percent of total wages paid by employers covered under the State UC law.

(c) Interest will not be charged against any interest for which payment is deferred under current law deferral provisions or those added by this bill and summarized in (b) above.

(d) The Act allows a State to delay for up to nine months the payment of interest due for any calendar year after 1982 during which the average total unemployment rate in the State was 13.5 percent or higher. The average total unemployment rate for a State shall be computed using the 12-month period for which the most recent information is available prior to the month in which the interest is due. Interest will *not* be charged against interest for which payment is delayed.

(e) The Act allows States to receive a discounted interest rate that would be one percentage point below the interest rate that would otherwise apply. This would be authorized for interest accrued only for fiscal years 1983, 1984, and 1985. It would be available under the same conditions as the new deferral above, except the required percentage changes in (2) would be higher at 50, 80, and 90 percent, respectively.

For purposes of determining whether a State meets the conditions in (2) above, the Secretary of Labor will provide an estimate of the unemployment rate for the base year, the calendar year in which the deferral is requested. The level of benefits and revenue liabilities will be determined using the State law in effect before passage of the legislation. The estimate of changes as a result of new legislation will be made from the base year in each year for which a deferral is requested. Changes in State law which automatically provide for increases in benefit amounts will be considered as if they were in effect in the base year for purposes of determining the change occuring as a result of new legislation. The Secretary of Labor may use historical growth rates for indexed items if appropriate. Once a deferral is approved, a State must continue to maintain its solvency effort. Failure to do so would result in immediate payment of all deferred interest.

Increases in the taxable wage base from $6,000 to $7,000 after calendar year 1982 and increases in the maximum FUTA tax rate to 5.4 percent after calendar year 1984 will not be counted for purposes of meeting condition (2).

States will not be penalized or rewarded if economic events change from those used in the base year for computing eligibility under conditions (2).

Effective date:

Effective April 20, 1983.

Impact:

CBO estimates interest deferrals of $307, $348 and $123 million for fiscal years 1983 to 1985 respectively. However, to qualify for the interest, it is estimated that States reduced benefits or increased taxes by $270, $263, and $260 million for fiscal years 1984 to 1986 respectively. The Department of Labor estimates the following States can avail themselves of the provision in fiscal year 1984: District of Columbia, Illinois, Kentucky, Michigan, North Dakota, Ohio, Pennsylvania, West Virginia, and Wisconsin.

CAP ON FUTA CREDIT REDUCTION

Prior law:

Under prior law, the Federal Unemployment Tax Act (FUTA) imposed a Federal unemployment compensation (UC) tax on employers in all States at a rate of 3.5 percent on a taxable wage base of $7,000. However, employers in States generally receive a FUTA tax credit of 2.7 percent, resulting in a net Federal tax rate of 0.8 percent. States with insufficient State unemployment compensation revenues to meet State unemployment compensation obligations may borrow from the Federal Unemployment Account. If a State defaults on its loans from the Federal account, employers in the State begin to lose the FUTA tax credit at the rate of at least .3 percent a year. For example, because of overdue Federal UC loans, 16 States experienced a reduction in the 2.7 percent credit for tax year 1983.

Specifically, if a Federal UC loan is not entirely repaid by the State by the second January 1 after the State receives the loan and remains unpaid on the following November 10 of that year, the FUTA tax credit applicable for that year for the State's employers is reduced by .3 percent. For each succeeding year in which the loan remains outstanding, the reduction is at least an additional .3 percent (i.e., .6, .9, 1.2 percent, etc.). Additional offset credit reductions may apply to a State beginning in the second year of repayment if certain criteria are not met. Under legislation enacted in the 1970's, credit reductions were not imposed from 1975-1980 for States satisfying specific requirements.

The 1981 Budget Reconciliation Act made two major changes in loan payment conditions, effective from January 1, 1981 to December 31, 1987: (1) interest of up to 10 percent is charged on loans made after April 1, 1982 (except those made for "cash flow" purposes and repaid by the end of the fiscal year in which they occur); and (2) States were allowed to "cap" the automatic FUTA credit reductions if certain solvency requirements are met.

In a State that qualifies for the cap, the tax credit reduction is limited to the higher of 0.6 percent, or the rate that was in effect for the State for the preceding calendar year.

The cap provisions are designed to give States additional time to make legislative and administrative changes necessary to restore the State trust funds to solvency. These provisions lengthen the repayment period, but do not reduce a State's total liabilty.

In order to qualify for the cap on the automatic credit reductions a State must demonstrate that:

(1) the net solvency of its UI system has not diminished (effective for taxable years 1981–1987);

(2) there have been no decreases in its unemployment tax effort (effective for taxable years 1981–1987);

(3) its average tax rate for the calendar year equals or exceeds its average benefit cost rate for the prior five years (effective for taxable years 1983–1987); and

(4) the outstanding loan balance as of September 30 of the tax year in question is not greater than on the third preceding taxable year (effective for taxable years 1983–1987 the comparable year for taxable year 1983, however, is 1981).

Explanation of law as amended by Public Law 98–21:

The Act makes the credit reduction cap provisions in present law permanent.

A State would still be required to meet all four conditions in present law to qualify for the full credit reduction cap. The amendment would, however, provide two lower *annual* credit reductions, if a State does not qualify for the total cap:

(1) If a State meets the first two present law credit reduction cap conditions and either of the remaining two conditions, the *annual* credit reduction would be reduced by 0.1 percentage points from what it would have been if the State had not qualified for a cap; and

(2) If a State meets the first two credit reduction cap conditions and qualifies for the interest deferral as a result of substantial changes in its unemployment compensation law, the annual credit reduction would be reduced by 0.2 percentage points from what it would have been if the State had not qualified for a cap. A substantial change in action (certified by the Secretary of Labor) taken after March 31, 1982 which increases revenues and decreases benefits by a total of 25 percent in the calendar year immediately following the fiscal year for which the first interest deferral is requested. Deferral of interest due for the years immediately following the year in which the first year change is effective may be received if changes of 35 and 50 percent are made.

The lower credit reductions would be authorized only for taxable years 1983, 1984, and 1985 liabilities. Credits earned during this period would be applied in determining the State's offset credit reduction for years after 1985.

The January 1st of each year for which a State qualifies for a partial limitation on the offset credit reduction will be taken into account for purposes of determining future offset credit reduction. The credit reduction applicable in each subsequent year after the partial limitation is in effect would continue tc be reduced by the amount by which the offset credit was reduced.

Effective date:

Effective April 20, 1984.

AVERAGE EMPLOYER CONTRIBUTION RATE

Prior law:

Prior law provided that a State, in the second year in which the offset credit reduction is imposed to repay outstanding loans, may be subject to an additional credit reduction equal to the amount by which the State's average tax rate is lower than 2.7 percent. The average tax rate and the 2.7 percent are computed from the ratio of taxes collected to State and Federal taxable wages, respectively. taxable wages are determined by the taxable wage base. Any wages above the taxable wage base are therefore not included.

In States where the taxable wage base exceeds the Federal taxable base of $7,000, the ratio of the State's UC tax revenues to the State's taxable wages will be lower than it would be if the taxable wage base was $7,000. This could activate the additional credit reduction in the second year even though these States have relatively higher tax efforts.

Explanation of law as amended by Public Law 98-21:

The Act changes the calculations so that all wages instead of just taxable wages are counted in the denominators of the State tax rates and the 2.7 percent. Each State's tax rate on all wages subject to contributions under the Federal Unemployment Tax Act (FUTA) is compared to an estimate of the national percentage of all wages subject to FUTA contributions that 2.7 percent of taxable wages represents. The 2.7 percent factor is calculated as the product of 2.7 percent and the ratio of the Federal taxable wage base ($7,000) and the estimated United States average annual wage in covered employment for the calendar year in which the determination is made.

Effective date:

Effective for taxable years beginning with 1983.

DATE FOR PAYMENT OF INTEREST

Prior law:

Prior law required that interest is due no later than the first day of the next fiscal year. If the next fiscal year falls on a weekend, interest is due in the prior fiscal year. Otherwise, it is due on the first day of the next fiscal year.

Explanation of law as amended by Public Law 98-21:

The Act requires payment of interest before the first day of the next fiscal year.

Effective on date of enactment.

Effective date:

Effective April 29, 1983.

PENALTY FOR FAILURE TO PAY INTEREST

Prior Law:

Under prior law, if a State does not pay interest when it is due, there are no provisions in present law through which the Federal government can penalize the State or enforce the collection of interest charges.

Explanation of law as amended by Public Law 98-21:

The Act provides that, if a State fails to pay interest charges when they are due, (a) Federal unemployment compensation and employment service administrative funds will be withheld and (b) the State's unemployment compensation program will lose its Federal certification, which will result in employers in the State losing eligibility for the credit against the Federal unemployment tax.

Effective date:

Effective April 20, 1983.

TREATMENT OF EMPLOYEES PROVIDING SERVICES TO EDUCATIONAL INSTITUTIONS

Prior law:

Under prior law, The Federal Unemployment Tax Act (FUTA) covers employees of educational institutions. FUTA *requires* States to deny benefits between academic years or terms to certain professional employees working in instructional, research, and principal administrative capacities if they have a reasonable assurance of returning to work in the next academic year or term. FUTA gives the States the *option* of applying the same denial of benefits provision to nonprofessional employees of educational institutions.

Explanation of law as amended by Public Law 98-21:

Under the Act, States would be *required* to deny benefits between academic years or terms to nonprofessional employees of educational institutions if the employees have a reasonable assurance of returning to work in the next academic year or term;

States have the option to deny benefits between terms to individuals performing services on behalf of an educational institution or an educational service agency even though not employed by either the institution or agency.

Effective date:

Effective on or after April 1, 1984.

EXTENDED BENEFITS FOR INDIVIDUALS WHO ARE HOSPITALIZED OR ON JURY DUTY

Prior law:

Prior law disqualified claimants from receiving Extended Benefits or Federal Supplemental Compensation if they were not actively seeking work. Moreover, the disqualified claimant must go back to work for a least 4 weeks and earn at least 4 times his weekly benefit amount before he can qualify again for Extended Benefits or Federal Supplemental Compensation.

Explanation of laws as amended by Public Law 98-21:

The Act permits States to determine weekly eligibility based on availability for work for claimants of Extended Benefits and FSC who are serving on jury duty or are hospitalized for treatment of an emergency or life-threatening condition. A State must treat these individuals in accordance with their own State unemployment compensation law.

Effective date:

Effective April 20, 1983.

OPTION FOR VOLUNTARY HEALTH INSURANCE DEDUCTION FROM UNEMPLOYMENT BENEFITS

Prior law:

Section 3304(a)(4) of the Federal Unemployment Tax Act prohibits States from withdrawing money from the State unemployment trust fund for anything except the payment of unemployment compensation benefits or to refund certain taxes erroneously paid by employers.

Explanation of laws as amended by Public Law 98-21:

The Act provides States the option of deducting an amount from the unemployment compensation benefits otherwise payable to an individual and using the amount deducted to pay for health insurance, if the individual elects to have such a deduction made from his benefits.

Effective date:

Effective April 20, 1983.

TREATMENT OF CERTAIN ORGANIZATIONS WHO WERE RETROACTIVELY GRANTED 501(c)(3) STATUS

Prior Law:

Unemployment insurance coverage was extended to employees of certain nonprofit organizations in 1970 and then extended to employees of generally all nonprofit organizations in 1976.

Under the 1970 and 1976 amendments, nonprofit organizations were given the option of financing unemployment benefits paid to their former employees through the State unemployment payroll tax system that applies to private employers (contribution method) or by retroactively reimbursing the State trust fund for the amount of benefits paid to their former employees (reimbursement method).

Nonprofit employers who had voluntarily covered their employees prior to the 1970 or 1976 amendments and financed benefit costs by the contribution method, and after enactment of the 1970 or 1976 amendments chose to switch to the reimbursement method of financing, were permitted to apply any accumulated balance in their accounts toward costs incurred in the future and paid for on a reimbursement basis. The authority to make such a transfer, however, was available for a limited period of time that expired shortly after enactment of the 1976 and 1970 amendments.

Explanation of law as amended by Public Law 98-21:

The Act allows a nonprofit organization that elects to switch from the contribution to the reimbursement method of financing unemployment benefits to apply any accumulated balance in its State unemployment account to costs incurred after it switches to the reimbursement method, under the following conditions:

(1) the organization did not elect to switch to the reimbursement method under prior authority because during these periods the organization was treated as a 501(c)(4) organization by the IRS, but the organization has been subsequently determined by the IRS to be a 501(c)(3) organization; and,

(2) the organization elects to switch to the reimbursement method before the earlier of 18 months after such election was first available to it under State law or January 1, 1984.

Effective date:

Effective April 20, 1983.

TREATMENT OF PAYMENTS TO ESTATES OF DECEASED INDIVIDUALS

Prior law:

Under prior law, Federal social security taxes (FICA) were not imposed on payments by employers to survivors or the estates of deceased individuals. However, such payments were subject to Federal Unemployment Taxes (FUTA).

Explanation of law as amended by Public Law 98-135:

Under the Act, with regard to payments made by employers to the estates or survivors of deceased individuals, the Federal unemployment tax (FUTA) definition of taxable wages is conformed with the prior Social Security tax (FICA) definition. As with social security taxes, Federal unemployment taxes will no longer be imposed on such payments after the calendar year in which the individual died.

Effective date:

Effective October 24, 1983.

TREATMENT OF CERTAIN ALIEN FARMWORKERS

Prior law:

Under the Immigration and Nationality Act, residents of foreign countries who do not intend to abandon such residency may be admitted to the United States to work for a temporary period of time during peak agricultural crop seasons. Until January 1, 1984, wages paid to such alien farmworkers are excluded from Federal unemployment taxes (FUTA).

Explanation of law as amended by Public Law 98-135:

The Act extends for two years—from January 1, 1984 to January 1, 1986—the provision of prior law that excludes wages paid to certain alien farmworkers from FUTA taxes.

Effective date:

Effective October 24, 1983.

Impact:

CBO estimates reduced revenue of $1 million per year as a result of this provision.

REPORTS FROM THE DEPARTMENT OF LABOR

Prior law:

Not applicable.

Explanation of law as amended by Public Law 98-135:

The Act requires the Department of Labor to submit reports to Congress no later than April 1, 1984 on (a) the feasibility of targeting FSC benefits to substate areas on the basis of unemployment levels in such substate areas; and, (b) the feasibility of indentifying "structurally" unemployed workers at the time they claim unemployment compensation benefits.

Effective date:

October 24, 1983.

DIRECT REPAYMENT OF GENERAL REVENUE ADVANCES

Prior law:

Title XII of the Social Security Act authorizes advances from general revenues to the Federal unemployment account (FUA) of the unemployment trust fund. This is the account from which loans are made to the States and to which repayments of those loans are credited. Such advances may be repaid only if: (1) the FUA exceeds its statutory limit at the end of a fiscal year and (2) the employment security account (ESA) exceeds its statutory end-of-year limit. The law requires any excess from FUA to be transferred directly to the extended unemployment compensation account (EUCA) from which general revenue advances may be repaid.

Explanation of law as amended by Public Law 98-118:

The Act would allow for direct repayment of general revenue advances from the State loan account in the unemployment trust fund, if the Secretary of Labor and the Secretary of the Treasury determine that adequate funds are available in the account for such purpose. This amendment would ultimately allow for the full repayment of all outstanding general revenue advances to the FUA account. The Act also requires that any amounts which may have already been transferred under the prior law provisions are to be transferred back to the Federal Unemployment Account as soon as this legislation is enacted.

Effective date:

October 24, 1983.

REPORTS ON EFFORTS TO PREVENT INCORRECT UNEMPLOYMENT COMPENSATION PAYMENTS TO RETIREES AND PRISONERS

Prior law:

Not applicable.

Explanation of law as amended by Public Law 98-135:

The Act requires the Secretary of Labor, the Attorney General, and the Director of the Office of Personnel Management to make available to the States such information about Federal employees, retirees, and prisoners as may be useful in determining unemployment eligibility. The Secretary of Labor is also directed to issue a report to Congress which will detail the actions taken and other steps which could be taken to ensure that unemployment benefits are not paid to certain retired individuals or prisoners. The report should include recommendations for further legislation which might be necessary to aid in preventing such incorrect payments. The report must be submitted to Congress by January 31, 1984.

Effective date:

Effective October 24, 1983.

CAP ON THE REDUCTION IN THE NUMBER OF WEEKS OF FEDERAL SUPPLEMENTAL COMPENSATION PAYABLE IN A STATE

Prior law:

Public Law 98-21 provided that the number of weeks of FSC benefits payable in a State could be no more than four weeks less than the number of weeks of FSC payable in the State for the week of March 27, 1983 if the number of weeks of benefits payable in the State for the first week of the extension contained in Public Law 98-21 was more than four weeks less than the number of weeks of benefits payable in the State for the week of March 27, 1983.

Explanation of law as amended by Public Law 98-92:

The Act provided that if the number of weeks of benefits payable in a State for the week of July 24, 1983 was four or more weeks less than the number of weeks of benefits payable in the State for the week of March 27, 1983, then the number of weeks of benefits payable in the State for weeks beginning after the week of July 24, 1983 could not be more than four weeks less than the number of weeks of benefits payable in the State for the week of March 27, 1983.

The Act also provided that if an individual had established an FSC account prior to the week of June 5, 1983, the maximum number of weeks of benefits such individual could receive could not be more than four weeks less than the maximum number of weeks of benefits payable in the State for the week of March 27, 1983.

Effective date:

Effective for weeks beginning after the week of July 24, 1983 in the case of the State cap on the reduction in FSC weeks.

Effective for weeks of unemployment beginning after September 2, 1983 in the case of individuals who had established an FSC account prior to June 5, 1983.

SUPPLEMENTAL SECURITY INCOME

INCREASE IN FEDERAL BENEFIT STANDARD

Prior law:

The maximum monthly SSI benefit for the period July 1982-June 1983 was $284.30 for a single person and $426.40 for married couples. Benefits were adjusted annually in July by the same percentage and under the same procedures as social security benefits. This occurred through a reference in the SSI law to the social security cost-of-living provision. For example, the payment level of $284.30 per individual, which became effective July 1982, represents an increase of 7.4 percent (or $19.60 monthly) from the previous July 1981 level of $264.70.

Explanation of law as amended by Public Law 98-21:

Under the act, the Federal SSI benefit payment was increased by $20 per month for individuals and $30 per month for couples, effective July 1, 1983.

The Federal SSI cost-of-living adjustment (COLA) was delayed from July 1983 until January 1984. Federal SSI benefits will be adjusted every January thereafter, by the same percentage and under the same procedures as OASDI benefits. The provision to pay the lower of the increase in wages or prices, which is applicable to OASDI benefit increases beginning in 1985, does not apply to SSI.

Effective date:

Effective April 20, 1983.

Impact:

CBO estimates additional SSI outlays of $255, $750, $855 and $885 million, for fiscal years 1983 to 1986 respectively. All of the approximately 3.9 million SSI beneficiaries (except those in medicaid institutions) will receive additional benefits.

ADJUSTMENT IN FEDERAL PASS-THROUGH PROVISIONS

Prior law:

Public Law 94-585, enacted October 21, 1976, established Federal SSI "pass-through" requirements, effective with the cost-of-living increase provided in July 1977. These provisions provided States with two options for meeting the pass-through requirements.

> *(1) Aggregate spending level option.*—A State could make State supplementary payments in any current 12-month period that were no less, in the aggregate, than those made in the previous 12-month period; or

(2) Individual payment level option.—A State could maintain the supplementary payment levels that were in effect for categories of individual recipients in December 1976.

An amendment in Public Law 97–248 allowed a State that shifts from the aggregate spending option to the individual payment level option to maintain State supplementation levels in effect in the previous December rather than the levels in December 1976.

Explanation of law as amended by Public Law 98–21:

Under the Act, States are allowed the following options in meeting the pass-through requirement:

(1) Aggregate spending level option.—Same as prior law.

(2) Individual payment level option.—Current law was modified (a) by substituting the State supplementary payment levels in effect in March 1983 for those in effect in December 1976 as the levels that States must maintain in complying with the payment pass-through requirement and, (b) with regard to the $20/$30 increase in the Federal SSI standard in July 1983, by requiring States to pass-through only as much as would have been required if the SSI COLA were not changed from July 1983 to January 1984.

Effective date:

Effective April 20, 1983.

SSI ELIGIBILITY FOR TEMPORARY RESIDENTS OF EMERGENCY SHELTERS FOR THE HOMELESS

Prior law:

Under prior law, aged, blind or disabled individuals who were residents of private emergency shelters were eligible for SSI. However, such residents of public shelters could not receive SSI.

Explanation of law as amended by Public Law 98–21:

Under the Act, aged, blind or disabled individuals who are temporary residents of public emergency shelters could receive SSI payments for a period of up to three months during any 12-month period.

Effective date:

Effective April 20, 1983.

Impact:

CBO estimates increased outlays of $1 million in fiscal year 1983 and $3 million per year thereafter.

DISREGARDING OR EMERGENCY AND OTHER IN-KIND ASSISTANCE PROVIDED BY NONPROFIT ORGANIZATIONS

Prior law:

SSI: In-kind assistance (other than assistance to meet home energy needs) provided by a private nonprofit organization to aged, blind, or disabled individuals generally was required to be counted as income under the SSI program.

AFDC: Under HHS rules, States had the authority to decide whether or not to count in-kind assistance as income under the AFDC program. There was no provision in the AFDC statute (other than in the case of home energy assistance) which specifically provided that authority.

Explanation of law as amended by Public Law 98-21:

SSI: Effective upon enactment until September 30, 1984, any support or maintenance assistance provided in-kind by a private nonprofit organization to aged, blind, or disabled individuals must be disregarded under the SSI program, if the State determines that the assistance is provided on the basis of need for such support or maintenance.

AFDC: The AFDC statute is amended to give States specific authority, at their option, to disregard such assistance in determining AFDC benefits.

Effective date:

Effective April 20, 1983 through September 30, 1984.

Impact:

CBO estimates additional AFDC outlays of $1 million in 1983 and $2 million in 1984.

NOTIFICATION REGARDING SSI

Prior law:

Under prior law, there was no statutory requirement that OASDI beneficiaries be contacted and informed of potential eligibility for supplemental security income (SSI) payments. However, since the beginning of the SSI program, the Social Security Administration has undertaken a number of outreach efforts to identify those potentially eligible.

Explanation of law as amended by Public Law 98-21:

Prior to July 1, 1984, the Secretary of Health and Human Services must notify, on a one-time basis, all elderly OASDI beneficiaries who are potentially eligible, of the availability of SSI and encourage them to contact their district offices. In addition, the provision requires that the same information be included with the notification to OASDI beneficiaries of upcoming eligibility for supplemental medical insurance.

Effective date:

April 20, 1983.

Impact:

CBO estimates additional SSI outlays of $65, $95 and $90 million for fiscal years 1984 to 1986 respectively. This projection assumes 80,000 eligible nonparticipants will become beneficiaries and receive an average monthly payment of $98.

CHILD WELFARE AND ADOPTION ASSISTANCE

EXTENSION OF PROVISIONS RELATING TO DEPENDENT CHILDREN VOLUNTARILY PLACED IN FOSTER CARE

Prior law:

The Adoption Assistance and Child Welfare Act of 1983 (Public Law 96-272) included a provision authorizing Federal matching on a temporary basis for payments made on behalf of children voluntarily placed in foster care. The statute provides that, in those States that have implemented specified foster care protections and procedures, Federal foster care matching funds are available until September 30, 1983 for children who have been voluntarily removed from their home (without a judicial determination), if such removal is pursuant to a voluntary placement agreement. The voluntary placement agreement must be revocable on the part of the parent unless the child welfare agency objects and obtains a judicial determination that the return of the child to the home would not be in the best interests of the child. There must be a judicial determination of a voluntary placement within 6 months to the effect that such placement is in the best interests of the child. The Secretary of Health and Human Services must report annually to the Congress on the number of children placed under this provision.

Explanation of law as amended by Public Law 98-118:

The Act extends the voluntary placement provision for one year, to September 30, 1984.

Effective date:

Effective October 1, 1983.

TITLE XX SOCIAL SERVICES PROGRAM

INCREASE IN TITLE XX SOCIAL SERVICE FUNDS

Prior law:

Under prior law, the Title XX funding levels were:

Fiscal year 1983—$2.675 billion (including $225 million appropriated on a temporary basis in the Emergency Job Bill);
Fiscal year 1984-$2.5 billion;
Fiscal year 1985-$2.6 billion;
Fiscal year 1986 and subsequent years—2.7 billion.

Explanation of law as amended by Public Law 98-135:

The Act provides that the Title XX ceiling will be increased to $2.7 billion for fiscal year 1984 and subsequent fiscal years. The conference report includes a statement that conferees intend that States use a portion of the additional Title XX funds for services that address problems related to unemployment and, to the extent feasible, direct these funds to areas within the State with the highest levels of unemployment.

Effective date:

Effective October 1, 1983.

Impact:

This will result in increased outlays of $200 million in 1984 and $100 million in 1985.

APPENDIX J. SELECTED ECONOMIC AND POVERTY DATA

TABLE 1.—SELECTED ECONOMIC DATA

	1970	1975	1980	1981	1982	1983
Poor and near-poor data:						
Poverty threshold (nonfarm):						
Family of 5	$4,680	$6,499	$9,960	$11,007	$11,684	[1] $12,058
Family of 4	3,968	5,500	8,410	9,287	9,862	[1] 10,017
Family of 3	3,099	4,293	6,570	7,250	7,693	[1] 7,939
Family of 2	2,525	3,506	5,360	5,917	6,281	[1] 6,482
Individual at least 65	1,861	2,581	3,950	4,359	4,626	[1] 4,774
Lower-level BLS budget:						
Urban family of 4 [2]	6,960	9,588	12,585	14,044	[3] 15,323	NA
Retired couple	3,109	4,501	6,023	6,644	[3] 7,226	NA
Percent poor:						
Total population	12.6	12.3	13.0	14.0	15.0	NA
Aged (65 and over)	24.5	15.3	15.7	15.3	14.6	NA
Children	14.9	16.8	17.9	19.5	21.3	NA
Female headed households	38.2	34.6	33.8	35.2	36.2	NA
Wages:						
Average manufacturing wage [4]	$3.35	$4.83	$7.27	$7.99	$8.50	8.84
Federal minimum wage	$1.60	$2.30	$3.10	$3.35	$3.35	$3.35
Average annual wages and salaries [5]	$6,231	$8,504	$12,225	$13,196	$13,880	NA
Unemployment rate (percent):						
Total	4.9	8.5	7.0	7.5	9.5	[6] 9.5
Insured unemployment	3.4	6.0	3.9	3.5	3.6	[7] 4.7
Income:						
Median family income (constant dollars) [8]	$24,528	$24,604	$24,626	$23,761	$23,433	NA
GNP (billions):						
Current dollars	$993	$1,549	$2,632	$2,954	$3,073	[p] $3,309
Constant 1972 dollars	$1,086	$1,234	$1,475	$1,514	$1,485	[p] $1,535
Wages and salaries as a percent of GNP	55	52	51	51	51	[p] 50

TABLE 1.—SELECTED ECONOMIC DATA—Continued

	1970	1975	1980	1981	1982	1983
Population: [9]						
Total residents (millions)	$203.2	$215.5	$226.5	$229.3	$231.5	[p] $234.2
Under 18 years	69.7	67.2	63.7	63.2	62.9	NA
18 through 64 years	113.6	125.6	137.2	139.9	142.0	NA
65 and over	20.0	22.7	25.5	26.3	26.8	NA

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[1] Estimate.

[2] Autumn of preceding year.

[3] Last report in series; program discontinued because of budget cuts.

[4] Includes overtime.

[5] Full-year equivalent for total private nonagricultural workers.

[6] Percent of total labor force, including Armed Forces residing in the United States.

[7] Does not include recipients of extended benefits.

[8] July data except for 1970 (April).

[9] July data except for 1970 and 1980 (April).

[p] Preliminary.

TABLE 2.—MONTHLY DATA FOR CPI–U X1 AND CPI–U SINCE 1970

CPI–U X1: All Items (1967 = 100)

Rental Equivalence Approach

Year	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Avg.
1970.....	111.2	111.7	112.0	112.7	113.1	113.4	113.9	114.1	114.5	115.1	115.5	116.0	113.6
1971.....	116.2	116.7	117.2	117.8	118.3	118.9	119.2	119.3	119.4	119.6	119.7	120.1	118.5
1972.....	120.2	120.8	121.1	121.4	121.7	122.0	122.3	122.6	123.1	123.4	123.8	124.1	122.2
1973.....	124.7	125.6	126.8	127.8	128.5	129.3	129.7	131.8	132.0	132.8	133.7	134.6	129.8
1974.....	135.7	137.5	138.9	139.7	141.1	142.3	143.2	144.8	146.3	147.4	148.6	149.5	142.9
1975.....	150.1	150.9	151.5	152.1	152.8	154.0	155.6	156.2	156.9	157.8	158.6	159.3	154.7
1976.....	159.7	160.2	160.7	161.4	162.3	163.3	164.1	164.8	165.5	166.2	166.7	167.4	163.5
1977.....	168.3	170.0	170.9	172.2	173.1	174.2	174.8	175.5	175.9	176.5	177.3	177.9	173.9
1978.....	178.8	179.9	181.2	182.7	184.3	186.0	186.9	187.7	188.8	190.0	191.0	192.0	185.8
1979.....	193.6	195.4	197.1	199.0	201.3	203.3	205.0	206.6	208.4	210.0	211.1	212.8	203.6
1980.....	215.3	218.0	220.7	222.3	224.2	225.8	227.2	229.1	231.4	232.8	234.2	235.7	226.4
1981.....	237.8	240.8	242.8	244.2	245.7	247.1	249.0	250.8	252.8	253.9	254.9	255.8	246.5
1982.....	257.2	258.0	258.4	258.8	260.6	263.2	265.0	265.5	266.8	268.0	268.4	268.6	263.2
1983 [1]..	270.1	270.9	271.3	271.8	273.6	276.4	278.3	278.8	280.2	281.4	281.8	282.0	276.4

CPI–U: All Items (1967=100)

1970.....	113.3	113.9	114.5	115.2	115.7	116.3	116.7	116.9	117.5	118.1	118.5	119.1	116.3
1971.....	119.2	119.4	119.8	120.2	120.8	121.5	121.8	122.1	122.2	122.4	122.6	123.1	121.3
1972.....	123.2	123.8	124.0	124.3	124.7	125.0	125.5	125.7	126.2	126.6	126.9	127.3	125.3
1973.....	127.7	128.6	129.8	130.7	131.5	132.4	132.7	135.1	135.5	136.6	137.6	138.5	133.1
1974.....	139.7	141.5	143.1	143.9	145.5	146.9	148.0	149.9	151.7	153.0	154.3	155.4	147.7
1975.....	156.1	157.2	157.8	158.6	159.3	160.6	162.3	162.8	163.6	164.6	165.6	166.3	161.2
1976.....	166.7	167.1	167.5	168.2	169.2	170.1	171.1	171.9	172.6	173.3	173.8	174.3	170.5
1977.....	175.3	177.1	178.2	179.6	180.6	181.8	182.6	183.3	184.0	184.5	185.4	186.1	181.5
1978.....	187.2	188.4	189.8	191.5	193.3	195.3	196.7	197.8	199.3	200.9	202.0	202.9	195.4
1979.....	204.7	207.1	209.1	211.5	214.1	216.6	218.9	221.1	223.4	225.4	227.5	229.9	217.4
1980.....	233.2	236.4	239.8	242.5	244.9	247.6	247.8	249.4	251.7	253.9	256.2	258.4	246.8
1981.....	260.5	263.2	265.1	266.8	269.0	271.3	274.4	276.5	279.3	279.9	280.7	281.5	272.4
1982.....	282.5	283.4	283.1	284.3	287.1	290.6	292.2	292.8	293.3	294.1	293.6	292.4	289.1
1983.....	293.1	293.2	293.4	295.5	297.1	298.1	299.3	303.3	301.8	302.6	303.1	303.5	298.7

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[1] December 1982 was the last time the CPI–U X1 (experimental CPI measure) was published. Effective January 1983, the Bureau of Labor Statistics changed the way homeowner costs are measured in the CPI–U to rental equivalence. The 1983 values for CPI–U X1 were calculated using the percentage increase in the CPI–U index since December.

TABLE 3.—POPULATION STATISTICS BY STATE

State	Resident population July 1, 1982 (thousands)	Population 65 years and over (thousands)	Percentage of population over age 65	Percentage change 1970–80	Projected change 1980–90
Total	231,534	26,824	11.6	11.4	9.7
Connecticut	3,153	387	12.3	2.5	.7
Maine	1,133	147	13.0	13.2	9.1
Massachusetts	5,781	751	13.0	.8	−.8
New Hampshire	951	109	11.5	24.8	23.4
Rhode Island	958	132	13.8	−.3	.2
Vermont	516	60	11.6	15.0	12.0
Delaware	602	63	10.5	8.6	5.5
District of Columbia	631	73	11.6	−15.7	−21.4
Maryland	4,265	420	9.8	7.5	6.2
New Jersey	7,438	900	12.1	2.7	1.8
New York	17,659	2,198	12.4	−3.8	−6.5
Pennsylvania	11,865	1,606	13.5	.6	−1.4
Illinois	11,448	1,313	11.5	2.8	.5
Indiana	5,471	614	11.2	5.7	3.1
Michigan	9,109	964	10.6	4.2	1.2
Ohio	10,791	1,224	11.3	1.3	−.6
Wisconsin	4,765	592	12.4	6.5	6.7
Iowa	2,905	401	13.8	3.1	2.1
Kansas	2,408	316	13.1	5.1	4.0
Minnesota	4,133	502	12.1	7.1	6.5
Missouri	4,951	666	13.5	5.1	3.0
Nebraska	1,586	212	13.4	5.7	4.2
North Dakota	670	84	12.5	5.7	3.6
South Dakota	691	94	13.6	3.6	.9
Alabama	3,943	461	11.7	12.9	8.0
Arkansas	2,291	323	14.1	18.8	12.6
Florida	10,416	1,808	17.4	43.4	36.6
Georgia	5,639	549	9.7	19.1	12.6
Kentucky	3,667	426	11.6	13.7	10.9
Louisiana	4,362	419	9.6	15.4	12.5
Mississippi	2,551	299	11.7	13.7	9.2
North Carolina	6,019	648	10.8	15.5	9.9
South Carolina	3,203	310	9.7	20.4	13.8
Tennessee	4,651	542	11.7	16.9	10.2
Virginia	5,491	537	9.8	14.9	11.2
West Virginia	1,948	247	12.7	11.8	4.2
Arizona	2,860	340	11.9	53.1	46.5
New Mexico	1,359	126	9.3	27.8	17.7
Oklahoma	3,177	390	12.3	18.2	15.5
Texas	15,280	1,442	9.4	27.1	22.5

TABLE 3.—POPULATION STATISTICS BY STATE—Continued

State	Resident population July 1, 1982 (thousands)	Population 65 years and over (thousands)	Percentage of population over age 65	Percentage change 1970–80	Projected change 1980–90
Colorado	3,045	264	8.7	30.7	29.5
Idaho	965	101	10.5	32.4	28.0
Montana	801	90	11.2	13.3	12.6
Utah	1,554	118	7.6	37.9	38.7
Wyoming	502	39	7.8	41.6	48.3
California	24,724	2,553	10.3	18.5	16.0
Nevada	881	77	8.7	63.5	59.1
Oregon	2,649	325	12.3	25.9	25.7
Washington	4,245	464	10.9	21.0	21.0
Alaska	438	13	3.0	32.4	29.7
Hawaii	994	85	8.6	25.3	17.5

Source: U.S. Department of Commerce, Bureau of the Census, Population Estimates and Projections, Series P–25, No. 937.

TABLE 4.—INCOME, POVERTY AND UNEMPLOYMENT STATISTICS BY STATE

State	1982 per capita personal income [1]	Rank 1982 [1]	1982 unemployment rate [2] (percent)	Poverty rate		
				1969 [3]	1975 [4]	1979 [5]
Total	$11,056		9.7	13.7	11.4	12.4
Connecticut	13,687	3	6.9	7.2	6.7	8.0
Maine	9,033	41	8.6	13.6	12.0	13.0
Massachusetts	11,921	10	7.9	8.6	7.1	9.6
New Hampshire	10,710	27	7.4	9.1	7.9	8.5
Rhode Island	10,730	26	10.2	11.0	8.7	10.3
Vermont	9,446	39	6.9	12.1	13.5	12.0
Delaware	11,796	11	8.5	10.9	8.2	11.8
District of Columbia	14,347	2	10.6	17.0	12.5	18.6
Maryland	12,194	7	8.4	10.1	7.7	9.8
New Jersey	13,027	4	9.0	8.1	8.1	9.5
New York	12,328	6	8.6	11.1	9.4	13.4
Pennsylvania	10,943	21	10.9	10.6	9.7	10.5
Illinois	12,162	8	11.3	10.2	10.5	11.0
Indiana	10,109	34	11.9	9.7	8.1	9.7
Michigan	11,052	19	15.5	9.4	9.1	10.4
Ohio	10,783	23	12.5	10.0	9.4	10.3
Wisconsin	10,497	29	10.7	9.8	7.7	8.7
Iowa	10,532	28	8.5	11.6	7.9	10.1

TABLE 4.—INCOME, POVERTY AND UNEMPLOYMENT STATISTICS BY STATE—Continued

State	1982 per capita personal income [1]	Rank 1982 [1]	1982 unemployment rate [2] (percent)	Poverty rate		
				1969 [3]	1975 [4]	1979 [5]
Kansas	$11,448	16	6.3	12.7	8.0	10.1
Minnesota	11,082	18	7.8	10.7	8.3	9.5
Missouri	10,175	33	9.2	14.7	12.0	12.2
Nebraska	10,489	30	6.1	13.1	9.6	10.7
North Dakota	10,746	25	5.9	15.7	10.6	12.6
South Dakota	9,506	38	5.5	18.7	13.1	16.9
Alabama	8,581	48	14.4	25.4	16.4	18.9
Arkansas	8,332	50	9.8	27.8	18.5	19.0
Florida	10,875	22	8.2	16.4	14.4	13.4
Georgia	9,514	37	7.8	20.7	18.0	16.6
Kentucky	8,861	44	10.6	22.9	17.7	17.6
Louisiana	10,083	35	10.3	26.3	19.3	18.6
Mississippi	7,792	51	11.0	35.4	26.1	23.9
North Carolina	9,032	42	9.0	20.3	14.7	14.8
South Carolina	8,468	49	10.8	23.9	17.2	16.6
Tennessee	8,849	46	11.8	21.8	15.8	16.4
Virginia	11,003	20	7.7	15.5	10.5	11.8
West Virginia	8,856	45	13.9	22.2	15.1	15.0
Arizona	10,201	32	9.9	15.3	13.8	13.2
New Mexico	8,997	43	9.2	22.8	19.3	17.6
Oklahoma	10,776	24	5.7	18.8	13.8	13.4
Texas	11,352	17	6.9	18.8	15.2	14.7
Colorado	11,776	12	7.7	12.3	9.1	10.1
Idaho	9,259	40	9.8	13.2	10.3	12.6
Montana	9,750	36	8.6	13.6	11.5	12.3
Utah	8,733	47	7.8	11.4	8.5	10.3
Wyoming	11,970	9	5.8	11.7	8.7	7.9
California	12,543	5	9.9	11.1	10.4	11.4
Nevada	11,748	13	10.1	9.1	8.8	8.7
Oregon	10,392	31	11.5	11.5	8.9	10.7
Washington	11,635	14	12.1	10.2	8.5	9.8
Alaska	15,200	1	9.9	12.6	6.7	10.7
Hawaii	11,602	15	6.7	9.3	7.9	9.9

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[1] U.S. Department of Commerce, Bureau of the Census.

[2] U.S. Department of Labor, Bureau of Labor Statistics, Current Population Survey.

[3] U.S. Bureau of the Census, Statistical Abstract of the United States: 1979, table 764. pp. 465 (100th edition), Washington, D.C. 1979. 1969 estimates are from the 1970 census.

[4] Data are also from the 1979 Statistical Abstract of the United States, but estimates are from the Survey of Income and Education.

[5] U.S. Bureau of the Census, Statistical Abstract of the United States: 1982–83, table 732, p. 443. (103d edition.) Washington, D.C. 1982. 1979 estimates are from the 1980 census.

TABLE 5.—POPULATION BY AGE GROUPS, 1940–82, SELECTED YEARS

[Thousands of persons]

July 1	Total	Age (years)				
		16–19	20–24	25–44	45–64	65 and over
1940	132,122	9,895	11,690	39,868	26,249	9,031
1945	139,928	9,361	12,036	42,521	28,630	10,494
1950	152,271	8,542	11,680	45,672	30,849	12,397
1955	165,931	8,744	10,714	47,194	33,506	14,525
1960	180,671	10,683	11,134	47,140	36,203	16,675
1965	194,303	13,516	13,746	46,912	38,916	18,451
1970	205,052	15,289	17,202	48,473	41,999	20,107
1971	207,661	15,688	18,159	48,936	42,482	20,561
1972	209,896	16,039	18,153	50,482	42,898	21,020
1973	211,909	16,446	18,521	51,749	43,235	21,525
1974	213,854	16,769	18,975	53,051	43,522	22,061
1975	215,973	17,017	19,527	54,302	43,801	22,696
1976	218,035	17,194	19,986	55,852	44,008	23,278
1977	220,239	17,276	20,499	57,561	44,150	23,892
1978	222,585	17,288	20,946	59,400	44,286	24,502
1979	225,055	17,242	21,297	61,379	44,390	25,134
1980	227,704	17,136	21,612	63,474	44,493	25,714
1981	229,849	16,682	21,946	65,496	44,476	26,260
1982	232,057	16,205	21,935	67,625	44,474	26,824

Note.—Includes Armed Forces overseas beginning 1940. Alaska and Hawaii beginning 1950.

Source: Department of Commerce, Bureau of the Census.

TABLE 6.—PROJECTIONS OF THE RESIDENT POPULATION OF THE UNITED STATES, BY AGE AND SEX: 1980 TO 2000

[In thousands as of July 1, except as noted]

Age (years)	Both sexes			Female		
	Census, April 1, 1980	Projections		Census April 1, 1980	Projections	
		1990	2000		1990	2000
Total, all ages	226,505	249,203	267,462	116,472	128,189	137,566
15 to 19	21,162	16,895	18,888	10,410	8,289	9,257
20 to 24	21,313	18,352	16,910	10,652	9,110	8,393
25 to 29	19,518	21,392	17,270	9,814	10,635	8,577
30 to 34	17,558	21,932	18,936	8,882	10,988	9,434
35 to 39	13,963	19,960	21,692	7,103	10,071	10,833
40 to 44	11,668	17,823	21,963	5,961	9,048	11,050
60 to 64	10,086	10,639	10,494	5,416	5,711	5,584
65 to 69	8,781	10,006	9,110	4,879	5,547	5,002
70 to 74	6,797	8,048	8,583	3,944	4,646	4,928
75 to 79	4,793	6,224	7,242	2,945	3,808	4,407
80 to 84	2,934	4,060	4,965	1,915	2,648	3,223
85 and over	2,240	3,461	5,136	1,558	2,496	3,743

Source: Bureau of the Census, Population Estimates and Projections, Series P–25, No. 937.

POVERTY DATA

How Poverty Is Measured

When the Federal Government began measuring proverty in the early 1960's, the continued existence of poor people in a time of the "Affluent Society" seemed anomolous. Official concern soon translated into efforts to measure the size of the poverty population, and the search began for programmatic ways to alleviate poverty. The first rough estimates of the incidence of poverty were based on survey data indicating that families generally spent about one-third of their income for food. A poverty level income was then calculated by using as a yardstick the amount of money necessary to purchase the lowest cost "nutritionally adequate" diet calculated by the Department of Agriculture (roughly equivalent to the current Thrifty Food Plan). This price tag was multiplied by 3 to produce a poverty threshold. Thus, this procedure assumed that if a family did not have enough income to buy the lowest nutritionally adequate diet, and twice that amount for other goods and services, it was "poor." Appropriate adjustments were made for the size of the family, sex of family head, and for whether the family lived on the farm or not. Farm families were assumed not to need as much cash income because more of their needs could be met through farm products—particularly food. (Differentials for sex of family head and for farm-nonfarm residence were abolished in 1981.) Policy officials made one change to the basic approach for calculating the level of poverty in 1969. Current poverty levels are established each year simply by increasing previous year's level by the change in the Consumer Price Index (CPI) rather than multiplying the cost of the Thrifty Food Plan by 3. The poverty thresholds for selected years are shown in table 7.

TABLE 7.—WEIGHTED AVERAGE POVERTY THRESHOLDS FOR NONFARM FAMILIES OF SPECIFIED SIZE, SELECTED YEARS, 1959–82

Calendar year	Unrelated individuals			Families of 2 or more persons							
				2 persons							
	All ages	Under age 65	Aged 65 or older	All ages	Head under age 65	Head aged 65 or older	3 persons	4 persons	5 persons	6 persons	7 persons or more
1959	$1,467	$1,503	$1,397	$1,894	$1,952	$1,761	$2,324	$2,973	$3,506	$3,944	$4,849
1960	1,490	1,526	1,418	1,924	1,982	1,788	2,359	3,022	3,560	4,002	4,921
1965	1,582	1,626	1,512	2,048	2,114	1,906	2,514	3,223	3,797	4,264	5,248
1970	1,954	2,010	1,861	2,525	2,604	2,348	3,099	3,968	4,680	5,260	6,468
1975	2,724	1,797	2,581	3,506	3,617	3,257	4,293	5,500	6,499	7,316	9,022
1976	2,884	2,959	2,730	3,711	3,826	3,445	4,540	5,815	6,876	7,760	9,588
1977	3,075	3,152	2,906	3,951	4,072	3,666	4,833	6,191	7,320	8,261	10,216
1978	3,311	3,392	3,127	4,249	4,383	3,944	5,201	6,662	7,880	8,891	11,002
1979	3,689	3,778	3,479	4,725	4,878	4,390	5,784	7,412	8,775	9,914	12,280
1980	4,190	4,290	3,949	5,363	5,537	4,983	6,565	8,414	9,966	11,269	[1] 12,761
1981	4,620	4,729	4,359	5,917	6,111	5,498	7,250	9,287	11,007	12,449	[1] 14,110
1982	4,901	5,019	4,626	6,281	6,487	5,836	7,693	9,862	11,684	13,207	[1] 15,036

[1] Poverty threshold for 7 persons, not 7 persons or more.

Source: Bureau of the Census and Social Security Administration.

TRENDS IN THE OVERALL POVERTY RATE [1]

About 15 percent of the U.S. population, 34.4 million people, had family incomes below the official poverty threshold in 1982. This is the fourth consecutive increase in the poverty rate. The poverty rate in 1982 is at its highest level since 1965.

This section focuses on historical data for the time period 1959-82. Throughout this time period there were substantial differences between the overall poverty rate and the poverty rate of certain demographic subgroups (table 8). The overall poverty rate declined from 22.4 percent in 1959 to 11.1 in 1973, and has since climbed to 15 percent. While the rates for some demographic groups have declined, a number of rates have remained relatively high. The poverty rate for blacks failed to fall below 30.3 percent over this period. The rate for individuals in a family with a female head did not fall below 32 percent. The poverty rate for children was higher than 14 percent throughout these years.

The trends for these and other demographic groups are described below using the official census definition of poverty which is based upon pretax cash income. The census poverty rate is one measure of poverty that has been fairly standard over time. This type of measure can be useful in measuring progress against poverty. However, it should be noted that the method of estimating the poverty threshold was revised by the Census Bureau four times over this period—in 1966, 1974, 1979, and 1981. These revisions have had an impact upon the number of people in poverty. The first two revisions slightly reduced the number of poor, while the more recent changes increased the number.

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[1] All poverty trend information is based upon published Census Bureau data contained in "Money Income and Poverty Status of Families: 1978," p-60, No. 124 and "Money Income and Poverty Status of Families: 1982," "p-60, No. 140. All figures for children are for related children under 18 in families. These figures may differ with other parts of this report which provide a more refined breakdown of this age category. Data for blacks, the aged, and nonaged population were not available for the years 1961 to 1965.

TABLE 8.—POVERTY RATES AND NUMBERS OF PEOPLE IN POVERTY FOR SELECTED DEMOGRAPHIC GROUPS OVER TIME

	1959	1966	1970	1975	1978	1979	1980	1981	1982
Overall number in poverty (in thousands)	39,490	28,510	25,420	25,877	24,497	26,072	29,272	31,822	34,398
Poverty rate (percent)	22.4	14.7	12.6	12.3	11.4	11.7	13.0	14.0	15.0
Aged:									
Number (in thousands)	5,481	5,114	4,709	3,317	3,233	3,682	3,871	3,853	3,751
Poverty rate (percent)	35.2	28.5	24.5	15.3	14.0	15.2	15.7	15.3	14.6
Children:									
Number (in thousands)	17,208	12,146	10,235	10,882	9,722	9,993	11,114	12,068	13,139
Poverty rate (percent)	26.9	17.4	14.9	16.8	15.7	16.0	17.9	19.5	21.3
Nonaged adults:									
Number (in thousands)	16,801	11,250	10,476	11,678	11,542	12,397	14,287	15,901	17,508
Poverty rate (percent)		10.6	9.2	9.4	8.9	9.1	10.3	11.3	12.3
Individuals in female headed families:									
Number (in thousands)	10,390	10,250	11,154	12,268	12,880	13,503	14,649	15,738	16,336
Poverty rate (percent)	50.2	41.0	38.2	34.6	32.3	32.0	33.8	35.2	36.2
Blacks:									
Number (in thousands)	9,927	8,867	7,548	7,545	7,625	8,050	8,579	9,173	9,697
Poverty rate (percent)	55.1	41.8	33.5	31.3	30.6	31.0	32.5	34.2	35.6
Whites:									
Number (in thousands)	28,484	19,290	17,484	17,770	16,259	17,214	19,699	21,553	23,517
Poverty rate (percent)	18.1	11.3	9.9	9.7	8.7	9.0	10.2	11.1	12.0

Source: "Money Income and Poverty Status of Families and Persons in the United States: 1982," p–60, No. 140

TABLE 9.—COMPOSITION OF POVERTY POPULATION FOR SELECTED DEMOGRAPHIC GROUPS

[Percent of poverty population]

	1959	1966	1975	1982
Aged	13.9	17.9	12.8	10.9
Children	43.6	42.6	42.1	38.2
Nonaged adults	42.5	39.5	45.1	50.9
Individuals in female-headed families	26.3	36.0	47.4	47.5
Individuals in other families	73.7	64.0	52.6	52.5
Blacks	25.1	31.1	29.2	28.2
Whites	72.1	67.7	68.7	68.4
Other	2.8	1.2	2.1	3.4

Source: Estimates based on data from "Money Income and Poverty Status of Families and Persons in the United States: 1982," p–60. No. 140.

In the late 1950's and early 1960's the number of poor persons in the United States stood around 39.5 million, representing approximately 22 percent of the total population. Between 1959 and 1969 this number declined at an annual rate of roughly 1.5 million per year. The largest decline in the number of people below the poverty threshold for this 10-year period occurred between 1964 and 1969. From 1969 to 1971 the rate stayed about the same, perhaps as a result of the sluggish economy. From 1971 to 1973 the rate continued to decline, but at a slower pace than in the earlier period. In 1973 the overall poverty rate was 11.1 percent, its lowest level over the entire 24-year period. This rate represented 23.0 million individuals in families with incomes below the poverty threshold. During the recession of 1974 and 1975 the rate increased slightly to 12.3 percent. From 1975 through 1978 the rate varied between 11.4 percent and 12.3 percent. Since 1978, the poverty rate has increased. By 1982 the overall rate had increased 31.6 percent from its 1978 level, to 15 percent.

POVERTY RATES BY FAMILY TYPE [2]

Female-headed familes with children, and unrelated individuals are more likely to be poor than other families with children or families with aged members. Table 10 shows that in 1982, 48.2 percent of female-headed families with children were poor, as opposed to 10.2 percent of all other families. Although only about 9 percent of all families with an aged member were poor, 27.1 percent of all aged unrelated individuals were poor. About 21.4 percent of nonaged unrelated individuals were poor.

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[2] Income figures reported in this section were derived from the March 1983 Current Population Survey (CPS) computer data tape. There is a tendency in surveys, such as the CPS, for respondents to underreport their incomes by both source and amount. Reporting of income from earnings is usually more accurate than the reporting of income from other sources. In general, CPS estimates of amounts or numbers of recipients of various cash and noncash transfer programs tend to be lower than administrative program totals. As a result, the data are a better reflection of general trends and patterns than of absolute numbers with income from a particular source, or the amount received.

Unrelated subfamilies are included as families in this analysis. The Census Bureau excludes such families from its poverty counts.

TABLE 10.—PERCENTAGE OF FAMILIES AND UNRELATED INDIVIDUALS BY RATIO OF TOTAL INCOME TO POVERTY THRESHOLD,[1] 1982

	Ratio of total income to poverty threshold								Poor	Nonpoor	Total (in thousands)
	Under 0.50	0.50 to 0.74	0.75 to 0.99	1.00 to 1.24	1.25 to 1.49	1.50 to 1.99	2.00 to 2.99	3.00 and over			
Total:											
In families	4.7	3.8	4.0	4.5	4.7	10.6	20.8	46.9	12.5	87.5	61,834
Unrelated individuals	8.2	5.8	9.2	8.8	6.7	11.5	18.2	31.7	23.1	76.9	27,908
No members age 65 or over:											
In families	5.4	4.1	3.8	4.3	4.3	9.8	20.3	48.0	13.3	86.7	50,521
Unrelated individuals	10.1	5.4	5.9	5.5	4.6	10.7	19.5	38.2	21.4	78.6	19,502
Any member age 65 or over:											
In families	2.0	2.4	4.7	5.6	6.2	14.0	23.0	42.1	9.0	91.0	11,313
Unrelated individuals	3.7	6.7	16.7	16.3	11.7	13.4	15.1	16.4	27.1	72.9	8,406
Families with children:											
Female headed family, no husband present	22.5	15.7	10.0	7.6	6.8	11.8	15.7	9.9	48.2	51.8	6,735
All other families	3.3	3.1	3.7	4.7	5.2	11.8	25.2	42.9	10.2	89.8	26,195

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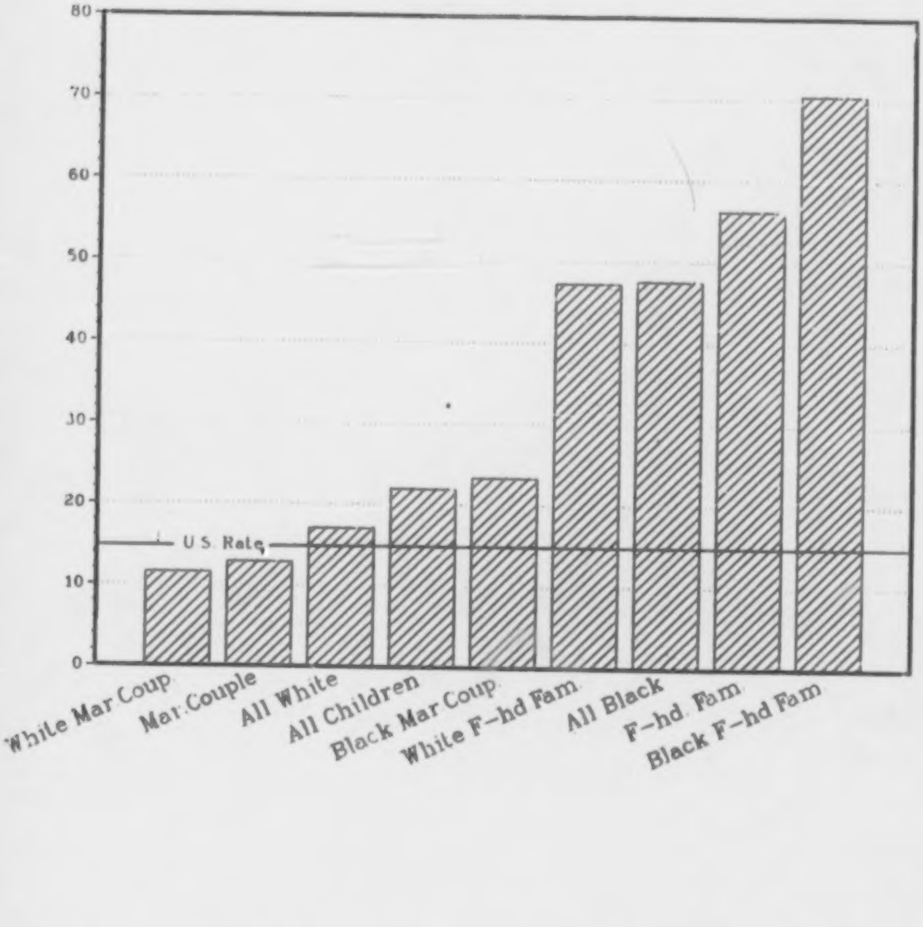
[1] Based on census ("Orshansky") poverty levels.

Source: March 1983 Current Population Survey (CPS). Table prepared by CRS.

POVERTY AMONG CHILDREN

Figure 1 shows poverty rates for children by race and family type. More than one in five children (21.9 percent) were poor in 1982. Nearly one-half (47.3 percent) of all black children were poor, compared to about one in every six (17 percent) white children. Children living in female-headed families with an absent father [3] were much more likely to be poor than were children living with both parents (married couple families) Whereas 11.5 percent of white children and 23.3 percent of black children in married couple families were poor, 47.3 percent of white children, and 70.5 percent of all black children in female-headed families were poor.

FIGURE 1.—SELECTED POVERTY RATES FOR CHILDREN BY RACE AND FAMILY STATUS: 1982



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[3] Hereafter referred to as female-headed families.

INCOME OF FAMILIES WITH CHILDREN

Table 11 shows the percent of female-headed families with an absent husband which received income from various sources. The table shows that the percentage of female-headed families with earnings (wages, salaries, self-employment and farm income), alimony or child support, interest and dividends, and social security, tends to increase with distance above the poverty threshold. In turn, families below the poverty threshold are more likely to receive public cash assistance, presumably AFDC, and food stamps—a form of near-cash assistance.

Nearly half (46 percent) of all poor female-headed families with children had income from earnings. However, earnings, on average, accounted for only about 33 cents of every dollar of income received (table 12). Nearly three-quarters of the poor families within 75 percent of the poverty threshold had income from earnings; for these families, earnings accounted for over half (52 percent) of total income. In contrast, 95 percent of nonpoor female-headed families had earnings which accounted for three-quarters of their total income.

TABLE 11.—PERCENT OF FEMALE-HEADED FAMILIES WITH CHILDREN WITH INCOME FROM VARIOUS SOURCES, BY RATIO OF TOTAL INCOME TO POVERTY THRESHOLD,[1] 1982

	Ratio of total income to poverty threshold								Poor	Nonpoor
	Under 0.05	0.50 to 0.74	0.75 to 0.99	1.00 to 1.24	1.25 to 1.49	1.50 to 1.99	2.00 to 2.99	3.00 and over		
Number of families (in thousands)	(1,515)	(1,060)	(673)	(514)	(455)	(795)	(1,055)	(668)	(3,248)	(3,487)
Earnings	34.4	44.8	72.8	89.6	93.5	93.4	97.4	98.4	45.7	95.0
OASDI, railroad retirement	7.7	11.8	18.2	14.8	19.7	18.3	20.1	24.7	11.2	19.7
Pensions	.5	1.4	1.7	2.0	1.7	2.0	3.9	8.4	1.0	3.8
Unemployment compensation, workers compensation, veterans payments	2.9	10.3	14.5	19.7	20.8	16.1	16.5	14.9	7.7	17.1
AFDC, SSI, general assistance	64.4	72.9	49.1	27.5	19.9	10.3	4.6	3.5	64.0	11.1
Child support alimony	15.6	19.8	28.2	32.4	41.1	42.5	52.4	48.0	19.6	44.9
Interest, dividends	11.0	10.1	17.8	28.8	31.3	42.2	60.6	78.4	12.1	51.3
Food Stamps	74.4	77.0	59.9	38.0	18.7	8.1	4.1	2.5	72.3	11.6

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[1] Based on census ("Orshansky") poverty levels.

Source: March 1983 Current Population Survey (CPS). Table prepared by CRS.

TABLE 12.—PERCENT OF TOTAL FAMILY INCOME FROM VARIOUS SOURCES, BY RATIO OF TOTAL INCOME TO POVERTY THRESHOLD FOR FEMALE-HEADED FAMILIES WITH CHILDREN, 1982 [1]

	Ratio of total income to poverty threshold								Poor	Nonpoor
	Under 0.05	0.50 to 0.74	0.75 to 0.99	1.00 to 1.24	1.25 to 1.49	1.50 to 1.99	2.00 to 2.99	3.00 and over		
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Earnings	21.4	25.7	52.1	68.3	72.5	77.6	79.7	75.9	33.4	76.6
OASDI, railroad retirement	7.4	8.0	10.6	7.6	9.2	8.2	6.7	5.8	8.7	6.9
Pensions	.6	.8	.7	.7	.3	.7	1.0	1.5	.7	1.0
Unemployment compensation, workers compensation, veterans payments	1.0	3.6	3.1	3.4	3.1	1.8	1.7	1.4	2.7	1.9
AFDC, SSI, general assistance	62.0	55.3	25.1	11.2	5.8	2.3	.7	.4	46.9	2.1
Child support, alimony	6.9	6.3	7.6	7.6	8.6	8.0	8.4	8.0	6.9	8.1
Interest, dividends	.7	.2	.8	1.2	.5	1.4	1.9	7.0	.5	3.3
Food stamps [2]	(48.9)	(20.5)	(8.7)	(4.0)	(1.7)	(.5)	(.3)	(.1)	(24.2)	(.7)

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[1] Based on census ("Orshansky") poverty levels.

[2] The cash value of food stamps is not included as part of total income, either for purposes of determining poverty status, or in the base for calculating the percentage share of total income. The numbers in this row for food stamps represent the added percentage contribution to toal cash income.

Source: March 1983 Current Population Survey (CPS). Table prepared by CRS.

It is interesting to note that nonpoor female-headed families were more than twice as likely as poor families to have received child support or alimony—45 percent compared to about 20 percent. For poor and nonpoor female-headed families alike, child support amounted to about 7 to 8 percent of total income. However, the median amount of child support received was about two-thirds higher for nonpoor female-headed families—$2,010 compared to $1,200. (See table 13.)[4]

TABLE 13.—MEDIAN INCOME FROM VARIOUS SOURCES FOR FEMALE HEADED FAMILIES WITH CHILDREN BY POVERTY STATUS,[1] 1982

	Median income for those with income from a given source	
	Poor	Nonpoor
All sources	$4,546	$15,836
Earnings	2,990	12,979
OASDI, railroad retirement	3,385	5,387
Pensions	3,292	4,549
Unemployment compensation, workers compensation, veterans payments	1,226	1,158
AFDC, SSI, general assistance	3,154	3,286
Child support, alimony	1,202	2,007
Interest, dividends	16	64
Food stamps	1,417	599

[1] Based on census ("Orshansky") poverty levels.

Source: March 1983 Current Population Survey (CPS). Table prepared by CRS.

Cash public assistance—mostly AFDC—was the major source of income received by the 3.2 million poor female-headed families with children in 1982. Approximately two-thirds of these families received cash public assistance which, on average, accounted for about 47 cents of every dollar received. The median amount received by these families was $3,150.

Food stamps, although not cash income, were an important source of income to poor female-headed families.[5] Nearly three-quarters of these families (72.3 percent) received food stamps at some time during the year. For each dollar of cash income received, food stamps, on average, provided an additional 24 cents. Of those families receiving food stamps, half received stamps having a cash value higher than $1,417.

Among all other families (mostly married couple families) with children who were poor, earnings, on average, were the largest component of total income. (See tables 14, 15, and 16.) Three-quarters of all such families had income from earnings, which accounted for 68 cents of every dollar received. About 22 percent of poor families received income from either unemployment compensation, workers' compensation, or veterans' payments, which was about the same as the percentage of nonpoor families receiving income from these sources. These sources accounted for about 8 cents of every dollar received by the poor, and about 2 cents of every dollar received by the nonpoor. About 23 percent of poor families received cash public assistance, which, on average, accounted for 13 cents of each dollar which all poor families received. One-half of all such poor families receiving public assistance received less than $3,220.

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[4] The median marks the 50th percentile, or the point at which ½ are above and ½ are below.

[5] The cash value of food stamps was not included as part of total income for purposes of either determining poverty status, or in the base fof calculating the percentage share of total income.

TABLE 14.—PERCENT OF ALL OTHER FAMILIES WITH CHILDREN WITH INCOME FROM VARIOUS SOURCES, BY THE RATIO OF TOTAL INCOME TO THE POVERTY THRESHOLD,[1] 1982

	Ratio of total income to poverty threshold								Poor	Nonpoor
	Under 0.50	0.50 to 0.74	0.75 to 0.99	1.00 to 1.24	1.25 to 1.49	1.50 to 1.99	2.00 to 2.99	3.00 and over		
Number of families (in thousands)	(872)	(815)	(977)	(1,238)	(1,351)	(3,100)	(6,599)	(11,243)	(2,664)	(23,531)
Earnings	60.5	78.1	90.0	96.5	97.7	98.8	99.4	99.9	76.7	99.3
OASDI, railroad retirement	4.6	14.0	10.0	9.9	7.8	7.3	6.3	3.8	9.4	5.5
Pensions	1.0	3.6	1.7	2.6	3.4	4.1	3.8	4.6	2.0	4.2
Unemployment compensation, workers compensation, veterans payments	13.8	23.4	29.4	29.7	28.9	28.7	25.9	16.3	22.5	22.1
AFDC, SSI, general assistance	21.2	32.3	18.0	11.5	8.5	3.9	1.8	.8	23.4	2.5
Child support, alimony	8.8	10.9	13.0	14.0	10.7	12.0	11.9	13.1	11.0	12.5
Interest, dividends	29.5	21.9	26.8	36.4	45.9	50.4	65.9	81.9	26.2	68.8
Food stamps	40.3	55.0	37.5	22.6	13.1	6.9	2.3	.2	43.8	3.6

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[1] Based on census ("Orshansky") poverty levels.

Source: March 1983 Current Population Survey (CPS). Table prepared by CRS.

TABLE 15.—PERCENT OF TOTAL FAMILY INCOME FROM VARIOUS SOURCES, BY THE RATIO OF TOTAL INCOME TO THE POVERTY THRESHOLD,[1] FOR ALL OTHER FAMILIES WITH CHILDREN

	Ratio of total income to poverty threshold									
	Under 0.50	0.50 to 0.74	0.75 to 0.99	1.00 to 1.24	1.25 to 1.49	1.50 to 1.99	2.00 to 2.99	3.00 and over	Poor	Nonpoor
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Earnings	61.5	58.4	74.8	82.5	87.2	89.8	92.7	93.6	67.7	92.7
OASDI, railroad retirement	4.3	8.9	5.7	4.9	3.1	2.4	1.5	.5	6.6	1.0
Pensions	.3	1.5	1.0	.8	.9	1.1	.8	1.0	1.1	.9
Unemployment compensation, workers compensation, veterans payments	8.2	7.1	7.8	5.7	4.5	4.0	2.5	.9	7.6	1.7
AFDC, SSI, general assistance	20.8	19.8	7.3	3.1	1.8	.5	.2	.0	13.1	.2
Child support, alimony	3.2	2.4	3.0	1.7	1.3	1.2	.8	.6	2.8	.7
Interest, dividends	1.8	2.0	.5	1.4	1.1	1.0	1.5	3.4	1.1	2.7
Food stamps [2]	(29.3)	(14.1)	(4.9)	(2.0)	(.8)	(.3)	(.1)	(.0)	(11.0)	(.1)

[1] Based on census ("Orshansky") poverty levels.

[2] The cash value of food stamps is not included as part of total income, either for purposes of determining poverty status, or in the base for calculating the percentage share of total income. The numbers in this row for food stamps represent the added percentage contribution to total cash income.

Source: March 1983 Current Population Survey (CPS). Table prepared by CRS.

TABLE 16.—MEDIAN INCOME FROM VARIOUS SOURCES, BY POVERTY STATUS,[1] 1982 FOR ALL OTHER FAMILIES WITH CHILDREN

	Median income for those with income from a given source	
	Poor	Nonpoor
All sources	$6,995	$28,698
Earnings	5,696	27,010
OASDI, railroad retirement	4,328	5,005
Pensions	2,755	5,786
Unemployment compensation, workers compensation, veterans payments	1,647	1,502
AFDC, SSI, general assistance	3,220	2,003
Child support, alimony	1,003	1,003
Interest, dividends	44	200
Food stamps	1,343	500

[1] Based on census ("Orshansky") poverty levels.

Source: March 1983 Current Population Survey (CPS). Table prepared by CRS.

Poor married couple families, and other families with children, were much less likely than female-headed families to have received food stamps. Only about 44 percent of married couple families received food stamps, compared to 73 percent of female-headed families. Of those married couple families receiving food stamps, the median amount received was roughly equivalent to that of female-headed families—$1,340 compared to $1,420, respectively.

EMPLOYMENT STATUS OF THE POOR AND NEAR-POOR

The following table presents Census data on different levels of involvement in the labor force. Table 17 illustrates the association between labor force involvement and poverty. It makes clear the particularly severe situation confronting female-headed families.

Involvement in the labor force is measured as the number of hours worked during 1982. Within families, the hours of primary workers—the head of the family and his/her spouse—are added together to reflect the family's involvement in the labor force. The maximum involvement for a multiple worker family would be two full-time workers, i.e., over 4,000 hours of work per year. Maximum involvement for single worker families and single individuals would be 2,000 hours per year.

To measure poverty against labor force involvement, two indicators are used. First, poverty ratios are used to indicate to what degree families or individuals are above or below the poverty line. Second, the mean poverty gap is used to indicate the average per-capita dollar level for those families who are below the poverty line.

Given these different measures, what can be gleaned from this information? Table 17 presents data on families and individuals where the person working the most hours is less than 65 years old. Table 17 shows, for example, that the poor are less likely to work than are the nonpoor, and that they are paid less for the hours they do work. Clearly, the majority of two worker families with the equivalent of one full time worker (2,000 or more hours) are not very likely to be poor. Only about 1 percent of these families had incomes below the poverty line. Less than 4 percent were near-poor, i.e., below 150 percent of the poverty line. However, among those families that were poor, about 45 percent worked 2,000 or more hours. Only about 7 percent of these families reported less than 500 hours of work or no work during the year. In comparison, about 96 percent of all two worker families with incomes in excess of two times the poverty line worked 2,000 hours or more. The degree of poverty was less severe for families with two or more workers than for other types of poor families. The mean per person poverty gap for these families was $750, the smallest amount below poverty of any group of families or individuals, regardless of labor force attachment.

Poor single worker families, excluding poor female-headed families, worked considerably fewer hours than poor two worker families. In about 19 percent of these families, a primary worker worked 2,000 or more hours. In about 50 percent of these families, the worker worked fewer than 500 hours. In comparison, among single worker families with income greater than twice the poverty line, about 74 percent worked 2,000 or more hours.

TABLE 17.—CURRENT POPULATION SURVEY DATA ON POVERTY AND WORK IN 1982: THE LEVEL OF POVERTY COMPARED TO THE LEVEL OF INVOLVEMENT IN THE LABOR FORCE FOR FAMILIES WHERE THE PRIMARY WORKER IS 65 YEARS OR LESS [1]

[Percents across each row total 100]

Ratio of income to the poverty level	Worked 4,000 or more hours in 1982	Worked 2,000 to 4,000 hours in 1982	Worked 1,000 to 2,000 hours in 1982	Worked 500 to 1,000 hours in 1982	Worked 40 to 500 hours or looked for work 1 or more weeks in 1982	No one working or looking in 1982	Total families
Two or more worker families:							
Under poverty	4	41	35	14	7	0	458,668
1.0 to 1.50	10	63	19	4	4	0	959,938
1.50 to 2.0	15	69	12	2	2	0	1,522,744
2.0 or more	43	53	3	0	0	0	17,679,043
Total families	8,035,352	11,218,929	1,013,772	200,848	141,572	9,920	20,620,393
Mean poverty gap per capita for families under poverty	$489	$575	$871	$1,025	$1,033		$750
Single worker families—not female headed:							
Under poverty	1	18	19	11	23	27	2,154,920
1.0 to 1.50	1	39	24	8	5	21	1,885,288
1.50 to 2.0	1	54	21	5	4	14	2,178,254
2.0 or more	2	72	14	3	2	8	11,417,132
Total families	339,593	10,510,469	2,917,571	802,086	890,215	2,175,660	17,635,595
Mean poverty gap per capita for families under poverty	$882	$633	$786	$1,094	$1,429	$1,352	$1,076
Single worker families—female headed:							
Under poverty	0	5	12	8	20	54	3,336,135
1.0 to 1.50	0	36	31	9	5	19	1,113,094
1.50 to 2.0	0	51	26	4	4	15	935,502
2.0 or more		61	24	3	3	11	2,870,044
Total families	3,393	2,793,380	1,659,672	499,751	833,067	2,465,510	8,254,774
Mean poverty gap per capita for families under poverty		$594	$880	$1,222	$1,684	$1,602	$1,407
Unrelated individuals:							
Under poverty	0	5	16	13	24	41	3,754,217
1.0 to 1.50	0	19	38	12	10	21	1,873,412
1.50 to 2.0	0	43	34	8	4	10	1,981,762
2.0 or more	0	71	21	2	1	4	10,497,320
Total unrelated individuals	56,974	8,814,172	4,213,992	1,108,059	1,303,976	2,609,537	18,106,711
Mean poverty gap per capita for unrelated individuals under poverty		$1,536	$1,371	$1,922	$3,241	$2,759	$2,482
Total families	8,435,313	33,336,950	9,805,007	2,610,744	3,168,830	7,260,627	64,617,472

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[1] The level of involvement in the labor force, for a family, is defined by the number of hours worked by the head of the family and his/her spouse. Two groups are excluded from this analysis—(1) Unrelated individuals under 18 years old, and (2) families where the primary worker is self-employed. The "Primary Worker" is the one who works the most hours, not necessarily the one who makes the most money.

Source: March 1983 Current Population Survey (CPS)—Census Bureau. Poverty Ratios based upon Census (Orshansky) Poverty Levels. Projections based on family or individual counts of less then 100,000 may be unreliable due to small sample size. Table prepared by the Congressional Research Service (CRS).

ANTIPOVERTY EFFECTIVENESS OF VARIOUS CASH AND NEAR-CASH INCOME SOURCES

This section explores the effectiveness of various income sources in addressing poverty. As shown earlier, families differ markedly by the combinations of income upon which they rely for support. The data for aged individuals is analyzed in Appendix B.

One way of assessing the antipoverty effectiveness of various income sources is to estimate the number of persons who would be counted as poor if a particular source of income were not received (table 18). The additional number of persons that are counted as poor provides an estimate of the number of people lifted out of poverty by a particular income source. For example, the effect of social security upon poverty can be seen by comparing the number who would be counted as poor if they did not receive social security, with the number of poor after social security income is counted.

Another way of assessing the effectiveness of various income sources upon poverty is by estimating the degree to which those sources reduce the gap between a poor family's income and the poverty threshold (table 19). This concept is sometimes known as the "poverty gap" or the "poverty income deficit." A cash transfer program which is highly targeted on the poor may do little to eliminate poverty—that is, to reduce the number who are counted as poor—but such a program may still have a very real impact by reducing the degree of poverty as viewed in terms of the poverty gap.

Tables 18 and 19 show the relative antipoverty effect of various income sources in 1982, upon children, nonaged adults, and the total population. Table 18 shows the estimated number of poor persons and the poverty rate which would result under various income definitions. For example, the first column shows the number of persons who were poor, and the poverty rate, in 1982. The second column shows how many persons would be poor if they had only earnings and miscellaneous sources of income (interest, dividends, alimony and child support) upon which to depend. Similarly, the third column shows how many persons would be counted as poor if they had all sources of income currently available to them, except for social security and railroad retirement. The relative effect of each source can be seen by comparing the number in poverty under the alternate income definitions with the first column. For purposes of illustration, the cash value of food stamps is also included even though food stamps are not included as income under the existing official definition of poverty. Table 19 is similar to table 18, except that it shows the aggregate poverty gap (in millions of dollars) and average poverty gap[6] per poor person. The aggregate poverty gap is the amount of dollars that would be required to give all persons in poverty an income equal to the poverty line.

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[6] The average poverty gap per poor person is the total family poverty gap divided by the number of family members. Since poverty is based on a family income definition, completely filling the poverty gap for children, for example, would not remove all children from poverty, since the poverty gap for other family members would have to be reduced as well.

TABLE 18.—PERSONS IN POVERTY UNDER VARIOUS INCOME CONCEPTS, BY AGE GROUP: 1982

	Total income official poverty measure	Only earnings, dividends, interest, and miscellaneous income	Total income less—				Total income plus food stamps
			Social security railroad retirement	Pensions	Unemployment compensation, workers compensation, veterans pension	AFDC, SSI, general assistance	
Total (in thousands)	34,398	57,495	48,230	36,853	37,619	36,539	32,734
Children (less than 18)	13,647	16,214	14,536	13,855	14,603	14,284	12,905
Persons age 18–64	17,000	25,238	20,642	18,404	18,894	18,061	16,185
Total (percent)	15.0	25.1	21.0	16.1	16.4	15.9	14.3
Children (less than 18)	21.9	26.0	23.3	22.2	23.4	22.9	20.7
Persons age 18–64	12.0	17.9	14.6	13.0	13.4	12.8	11.5
Total (percentage change)			−28.7	−6.7	−8.6	−5.9	−4.8
Children (less than 18)			−6.1	−1.5	−6.5	−4.5	−5.4
Persons age 18–64			−17.6	−7.6	−10.0	−5.9	−4.8

TABLE 19.—POVERTY GAP UNDER VARIOUS INCOME CONCEPTS, BY AGE GROUP: 1982

	Total income official poverty measure	Only earnings, dividends, interest, and miscellaneous income	Total income less				Total income plus food stamps
			Social security, railroad retirement	Pensions	Unemployment compensation, worker's compensation, veterans pension	AFDC,SSI, general assistance	
Total aggregate poverty gap (in millions)	$43,826	$121,967	$84,169	$48,378	49,860	$59,010	$38,222
Children (less than 18)	15,136	25,525	17,304	15,490	16,572	21,209	12,077
Persons age 18–64	24,450	50,901	33,697	27,250	28,315	31,545	21,916
Total average gap per poor person [1]	$1,274	$2,121	$1,745	$1,313	$1,325	$1,615	$1,168
Children (less than 18)	1,109	1,574	1,190	1,118	1,135	1,485	936
Persons age 18–64	1,438	2,017	1,632	1,481	1,499	1,747	1,354
Total percentage change in aggregate gap			−47.9	−9.4	−12.1	−25.7	−12.8
Children (less than 18)			−12.5	−2.3	−8.7	−28.6	−20.2
Persons age 18–64			−27.4	−10.3	−13.7	−22.5	−10.4

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[1] The average poverty gap per poor person is the total family poverty gap divided by the number of family members. Since poverty is based on a family income definition, completely filing the gap for children, for example, would not remove all children from poverty, since the poverty gap for other family members would have to be reduced as well.

To a large extent, the analysis of poverty and the effectiveness of Government programs is summarized in figure 2. The four concepts used in the graph are:

1. *Pretransfer income* includes only income derived from market sources and excludes government transfers.
2. *Post social insurance income* includes market income and government cash social insurance transfers, but excludes cash welfare transfers.
3. *Postwelfare income* includes market income, cash social insurance transfers, and cash welfare transfers. The official poverty thresholds use this concept.
4. *Adjusted income* includes market income, cash social insurance transfers, cash welfare transfers, in-kind transfers, adjustments for taxes, and corrections for underreporting of income in the data used for poverty analysis.

Figure 2 shows some trends in the percent of persons in poverty from 1965 to 1982 that were presented by Danziger.[7] Whether the poverty rate has increased, decreased, or remained constant depends upon the definition of income. In general, from 1968 through 1978 the post social insurance and post welfare poverty rates stayed relatively constant at 13 to 14 percent. The pretransfer poverty rate increased, however, while the adjusted poverty rate declined dramatically.

However since 1978, all income concepts show a large and dramatic increase in poverty.

1. The pretransfer poverty rate in 1978 of 20 percent was nearly as high as it was in 1965 at 21 percent. There was a 3 percentage point drop between 1965 and 1968, but the rate rose back to 21 percent by 1976.
2. The post social insurance poverty rate dropped from 16 percent in 1965 to between 13 and 14 percent in 1968. There was little change in post social insurance poverty between 1968 and 1978.
3. The postwelfare poverty rate, the official measure, dropped from 16 percent to 13 percent between 1965 and 1968, but declined only slightly thereafter.
4. The adjusted poverty rate declined in every period except 1972 to 1974. Taxes had a minimal effect. Because health benefits are more than two-thirds of in-kind benefits, they account for a large proportion of this trend.

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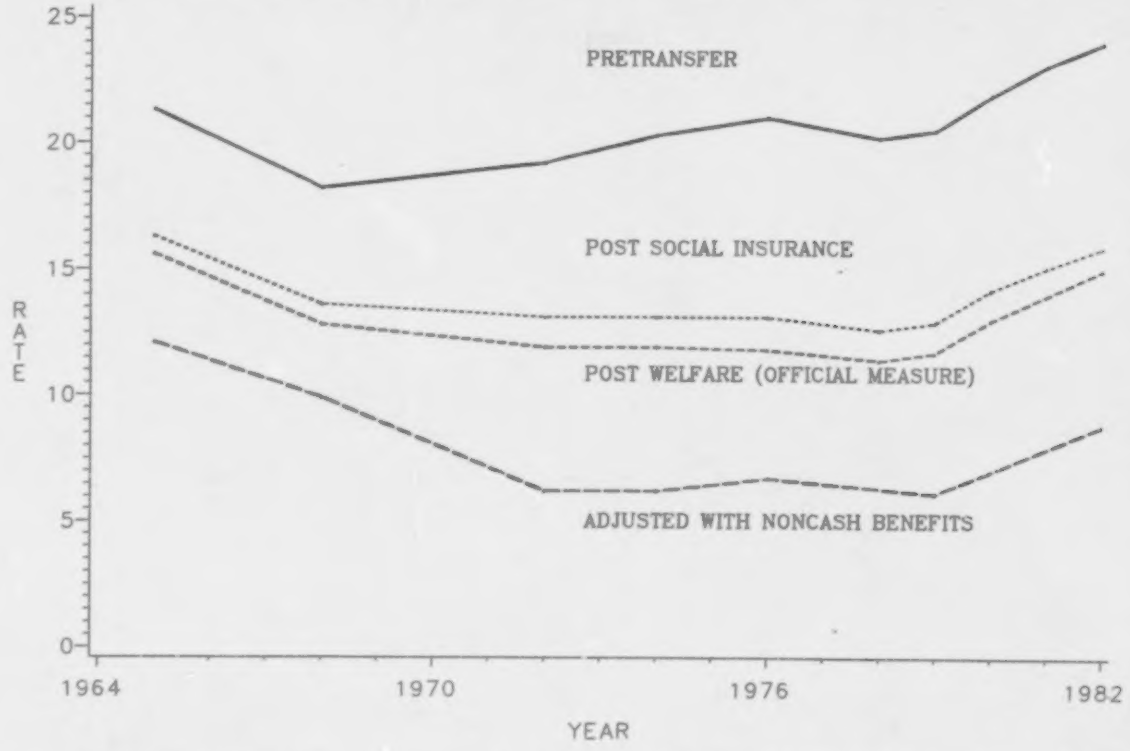
[7] Sheldon Danziger, "Alternative Measures of the Recent Rise in Poverty," testimony before U.S. House Committee on Ways and Means, Oct. 18, 1983.

FIGURE 2.—TRENDS IN THE INCIDENCE OF POVERTY AMONG PERSONS BY INCOME CONCEPT



Source: Sheldon Danziger, "Alternative Measures of the Recent Rise in Poverty," testimony before U.S. House Committee on Ways and Means, Oct. 18, 1983.

Poverty Gap Data Over Time

Table 20 illustrates the aggregate poverty gap in current and constant 1982 dollars for selected years by family type. The total gap increased from $14.7 billion in 1975 to $43.8 billion in 1982. In constant dollars, this was an increase from $26.4 billion to $43.8 billion; an increase of 66 percent. The largest increase in percentage terms was for female head of families. The poverty gap increased from $7.8 biliion to $14.0 billion in constant 1982 dollars; an increase of over 80 percent.

TABLE 20.—AGGREGATE POVERTY GAP IN CURRENT AND CONSTANT 1982 DOLLARS FOR SELECTED YEARS, BY FAMILY TYPE [1]

[In millions of dollars]

Family type	1975	1979	1980	1981	1982
	Current dollars				
Total	14,719	24,033	31,075	37,617	43,826
Total in families	9,505	14,708	19,771	24,653	30,180
No family members age 65 or over	8,660	13,182	17,910	22,554	27,707
Female headed families [2]	4,341	7,260	9,389	12,000	14,044
All other families	4,320	5,921	8,521	10,553	13,664
Any family member age 65 or over	845	1,526	1,861	2,099	2,473
Total unrelated individuals	5,214	9,325	11,304	12,964	13,646
Less than 65	3,931	7,194	8,912	10,210	10,693
65 and over	1,283	2,131	2,392	2,754	2,954
	Constant 1982 dollars [3]				
Total	26,405	31,957	36,399	39,923	43,826
Total in families	17,051	19,557	23,158	26,164	30,180
No family members age 65 or over	15,535	17,528	20,978	23,936	27,707
Female headed families [2]	7,787	9,654	10,998	12,736	14,044
All other families	7,750	7,873	9,981	11,200	13,664
Any family member age 65 or over	1,516	2,029	2,180	2,228	2,473
Total unrelated individuals	9,353	12,400	13,241	13,759	13,646
Less than 65	7,052	9,566	10,439	10,836	10,693
65 and over	2,302	2,834	2,802	2,923	2,954

[1] The poverty gap is the difference between a poor family's income and the Census Bureau's poverty threshold. The poverty gap shown in this table is slightly higher than that reported by the Census Bureau due to unrelated subfamilies being counted as families.

[2] Female headed families with an absent husband.

[3] Earlier year data converted to constant 1982 dollars by the CPI-U price index.

Note.—Table prepared by the Congressional Research Service from the March 1983, 1982, 1981, and 1980 Current Population Survey, and the 1976 Survey of Income and Education (SIE).

FEDERAL TAX TREATMENT OF FAMILIES NEAR POVERTY[8]

Through the 1960's and 1970's Congress attempted, in several tax reduction bills, to eliminate the tax burden on families whose incomes were below the poverty line. The legislative history of the tax cut bills enacted in 1969, 1975, 1976, 1977, and 1978 indicates a congressional desire to increase the level of income at which a family begins to pay income tax (termed the tax threshold or, alternatively, the tax entry point) above the poverty level. Several tools have been used to achieve this goal: the personal exemption, the standard deduction (now termed the zero bracket amount) and the earned income tax credit.

In the past few years, however, these provisions have not kept pace with inflation, and as a result the income tax threshold has fallen well below the poverty line. This shortfall will continue to grow for some families even after indexing takes effect in 1985, since the earned income credit is not indexed.

Table 21 shows the income tax threshold and the povery line for a family of four for selected years between 1959 and 1984. In 1960, the tax threshold was 10.3 percent below the poverty line. As a result of the 1964 tax cuts, the gap between the two was cut to 6.9 percent by 1965. By 1969, inflation had increased the gap to 19.9 percent, and Congress responded by tax reductions in 1969 and 1971 which succeeded in eliminating the gap in 1972. The rapid inflation of 1973-74 caused the gap to reemerge, and in 1975 the tax cuts were so structured that the tax threshold was raised 21.7 percent above the poverty line. The earned income tax credit, enacted that year, was designed not only to remove poor people from the income tax rolls but also, through its refundable feature, to offset some of the impact of the social security payroll tax on their earnings. However, inflation since 1975 has brought the poverty level 11.5 percent above the tax threshold in 1982, and it is anticipated that by 1984 the gap will increase to 17.2 percent, the largest gap since 1969.

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[8] Prepared by the staff of the Joint Committee on Taxation.

TABLE 21.—RELATIONSHIP BETWEEN INCOME TAX THRESHOLD AND POVERTY LEVEL FOR A FAMILY OF FOUR, 1959–1984

Year	Income tax threshold	Poverty level	Percentage gap between tax threshold and poverty level
1959	$2,667	$2,973	−10.3
1960	2,667	3,022	−11.7
1965	3,000	3,223	−6.9
1966	3,000	3,317	−9.6
1968	3,000	3,553	−15.6
1969	3,000	3,743	−19.9
1970	3,600	3,968	−9.3
1971	3,750	4,137	−9.4
1972	4,300	4,275	+0.6
1973	4,300	4,540	−5.3
1974	4,300	5,038	−14.6
1975	6,692	5,500	+21.7
1976	6,892	5,815	+18.5
1977	7,533	6,191	+22.0
1978	7,533	6,662	+13.1
1979	8,626	7,412	+16.4
1980	8,626	8,414	+2.5
1981	8,634	9,287	−7.0
1982	8,727	9,862	−11.5
1983	8,783	[1] 10,166	[1] −13.6
1984	8,783	[1] 10,613	[1] −17.2

[1] Estimated.

Note.—Tax thresholds assume full use of the earned income tax credit.

Source: Joint Committee on Taxation.

Amount of tax paid at poverty level

Table 22 shows the income tax threshold and the proverty level for various family sizes for 1978 and the years 1982 through 1984. Poverty levels for years after 1982 are based on assumptions about the rate of inflation in those years.

In 1978, the poverty level exceeded the income tax threshold only for single persons, and the maximum income tax paid by a poor single person was only $16. For three- and four-person families at the poverty line, the earned income credit offset a substantial part of the payroll tax.

In 1983, the income tax threshold exceeds the poverty level only for three-person families. For four-person families the shortfall of the tax threshold below the poverty level is $1,383, and for six-person families it is $3,901. In 1984, prior to the commencement of indexing, the tax threshold will be approximately equal to the poverty line for a three-person family but will be $1,830 below it for a four-person family, and $4,500 below it for a six-person family. Even after indexing takes effect, the gap between the tax threshold and the poverty line will grow faster than the rate of inflation for these families. This will happen because a taxpayer at the tax threshold is still eligible for the earned income credit and will be affected by the failure to index that credit.

Table 22 also shows the amount of income tax and payroll tax that is paid by someone whose income equals the poverty line and whose income is fully subject to tax. While many poor people do receive cash transfer payments that are tax-exempt and, therefore, would not be subject to the tax burdens shown in table 22, there are many poor people who must rely on their earnings and for whom these tax burdens can result under present law. By 1984, a four-person family whose income is at the poverty line can pay as much as $365 in income tax, and a six-person family as much as $570. The table also shows the payroll taxes paid by an earner whose earnings are at the poverty line. In 1975, Congress hoped to eliminate some of this burden by the refundable earned income credit, but since then inflation has raised tax liabilities and the poverty level so that the credit, which does not apply to families with incomes above $10,000, does not give any benefit to a significant number of poor families. The table also shows the combined income and payroll tax burden at the poverty line as a percent of income. Note that this can be as high as 11 percent of income.

TABLE 22.—TAX THRESHOLDS, POVERTY LEVELS, AND FEDERAL TAX AMOUNTS FOR DIFFERENT FAMILY SIZES WITH EARNINGS EQUAL TO THE POVERTY LEVEL, 1978–1984

	Family size					
	1	2	3	4	5	6
Income tax threshold:						
1978	$3,200	$5,200	$6,930	$7,520	$8,183	$9,167
1982	3,300	5,400	8,237	8,727	9,216	9,706
1983–84	3,300	5,400	8,315	8,783	9,251	9,719
Poverty level:						
1978	3,311	4,249	5,201	6,662	7,880	8,891
1982	4,900	6,280	7,690	9,860	11,680	13,210
1983 [1]	5,052	6,475	7,928	10,166	12,042	13,620
1984 [1]	5,274	6,760	8,277	10,613	12,572	14,219
Income tax at poverty level:						
1978	16	0	−280	−134	−12	0
1982	202	106	−134	285	417	491
1983	206	118	−91	318	431	507
1984	226	150	−9	365	480	570
Payroll tax at poverty level:						
1978	200	257	315	403	477	538
1982	328	421	515	661	783	885
1983	338	434	531	681	807	913
1984	353	453	555	711	842	953
Combined income and payroll tax at poverty level:						
1978	216	257	35	269	465	538
1982	530	527	381	946	1,200	1,376
1983	544	552	440	999	1,238	1,420
1984	579	603	546	1,076	1,322	1,523
Combined tax as percent of income at poverty level:						
1978	6.5	6.1	0.7	4.0	5.9	6.1
1982	10.8	8.4	5.0	9.6	10.3	10.4
1983	10.8	8.5	5.5	9.8	10.3	10.4
1984	11.0	8.9	6.6	10.1	10.5	10.7

[1] Projected thresholds.

Source: Joint Committee on Taxation.

APPENDIX K. EXAMPLES ILLUSTRATING THE INTERACTION BETWEEN SOCIAL SECURITY, SSI, FOOD STAMPS, MEDICAID, AFDC, UNEMPLOYMENT COMPENSATION, AND THE TAX SYSTEM AS EARNINGS INCREASE FOR AGED COUPLES, A MOTHER WITH TWO CHILDREN AND A TWO-PARENT FAMILY WITH TWO CHILDREN

TABLE 1.—EARNINGS AND BENEFITS, AGED COUPLE RECEIVING MINIMUM SOCIAL SECURITY [1] (IN A STATE WITHOUT SSI SUPPLEMENTATION) 1984

Earnings	Social security	SSI	Food stamps [2]	Medicaid [3]	Taxes		Work expenses [4]	"Disposable" income
					Social security	Federal income		
0	$2,700	$3,204	239	Yes	0	0	0	$6,143
$2,000	2,700	2,594	0	Yes	$134	0	$300	6,860
$4,000	2,700	1,594	0	Yes	268	0	600	7,426
$6,000	2,700	594	0	Yes	402	0	900	7,992
$8,000	2,180	0	0	No	536	$66	900	8,678
$10,000	1,180	0	0	No	670	286	900	9,324
$15,000	0	0	0	No	1,005	959	900	12,136
$20,000	0	0	0	No	1,340	1,741	900	16,019
$30,000	0	0	0	No	2,010	3,815	900	23,275
$50,000	0	0	0	No	2,533	9,848	900	36,719

[1] Social Security benefit is the "frozen minimum" for a couple age 65.

[2] Assumes the $1,068 standard deduction plus $72 per year in deductible medical expenses.

[3] Many, although not all, States provide automatic medicaid eligibility for SSI recipients.

[4] Assumed equal to the standard deduction for work expenses, prorated for less than full-time work, in the AFDC program.

Source: Congressional Research Service.

TABLE 2.—EARNINGS AND BENEFITS, AGED COUPLE RECEIVING AVERAGE SOCIAL SECURITY BENEFITS [1] (IN A STATE WITHOUT SSI SUPPLEMENTATION), 1984

Earnings	Social security	SSI	Food stamps	Medicaid	Taxes		Work expenses [2]	"Disposable" income
					Social security	Federal income		
0	$8,904	0	0	0	0	0	0	$8,904
$2,000	8,904	0	0	0	$134	0	$300	10,470
$4,000	8,904	0	0	0	268	0	600	12,036
$6,000	8,904	0	0	0	402	0	900	13,602
$8,000	8,384	0	0	0	536	$66	900	14,882
$10,000	7,384	0	0	0	670	286	900	15,528
$15,000	4,884	0	0	0	1,005	959	900	17,020
$20,000	2,384	0	0	0	1,340	1,741	900	18,043
$30,000	0	0	0	0	2,010	3,815	900	23,275
$50,000	0	0	0	0	2,533	9,848	900	36,719

[1] Average benefits for a retired couple in current pay status as of 12/83.

[2] Assumed equal to the standard deduction for work expenses, prorated for less than full-time work, as the AFDC program.

TABLE 3.—EARNINGS AND BENEFITS FOR A MOTHER WITH TWO CHILDREN—AFTER 4 MONTHS ON JOB (JANUARY 1984)—(PENNSYLVANIA)

Earnings	EITC	AFDC [1]	Food stamps [2]	Medicaid	Taxes			Work expenses [4]	"Disposable" income
					Social security	Federal income [3]	State income		
0	0	$4,200	$1,434	Yes	0	0	0	0	[6] $5,634
$2,000	$200	2,940	1,477	Yes	$134	0	0	$940	[6] 5,516
$4,000	400	1,680	1,506	Yes	268	0	0	1,880	[6] 5,399
$5,000	500	1,050	1,490	Yes	335	0	$11	2,350	[6] 5,294
$6,000	500	0	1,559	[5] No	402	$77	132	2,820	4,578
$7,000	375	0	1,344	No	469	187	154	2,820	5,038
$8,000	250	0	1,128	No	536	303	176	2,820	5,490
$9,000	125	0	913	No	603	423	198	2,820	5,944
$10,000	0	0	698	No	670	553	220	2,820	6,385
$15,000	0	0	0	No	1,005	1,354	330	2,820	9,491
$20,000	0	0	0	No	1,340	2,294	440	2,820	13,106
$30,000	0	0	0	No	2,010	4,786	660	2,820	19,724
$50,000	0	0	0	No	2,533	11,662	1,100	2,820	31,885

[1] Assumes pro-rated deductions (standard plus cost of care for one child): $940 at earnings of $2,000; $1,880 at $4,000, $2,350 at $5,000, and $2,820 (maximum under AFDC law) at $6,000 and above.

[2] Assumes these deductions (reflecting proration for dependent care): $1,068 at zero earnings, $1,708 at $2,000, $2,348 at $4,000; $2,568 (maximum) at $5,000 and above.

[3] Head of household rates in effect for 1984.

[4] Assumed to equal deductions, including cost of care for one child, presumed in AFDC (see footnote 1).

[5] Automatic medicaid eligibility ends when gross income (including EITC) equals $6,300. To regain eligibility, family must spend-down on medical expenses to State's medically needy income limit ($4,700, as of July 1982).

[6] Plus medicaid (which in fiscal year 1982 cost about $1,586 for a 3-person AFDC family, national average).

Source: Congressional Research Service.

TABLE 4.—EARNINGS AND BENEFITS FOR A MAN ON UNEMPLOYMENT COMPENSATION WITH A WIFE AND 2 CHILDREN, JANUARY 1984—PENNSYLVANIA

Earnings [1]	EITC	Unemployment insurance [2]	Food stamps [3]	Taxes			Work expenses [4]	"Disposable" income
				Social security	Federal income	State income		
0	0	$4,498	$2,007	0	0	0	0	$6,505
$2,000	$200	4,498	1,657	$134	0	0	$940	7,281
$4,000	400	4,498	1,308	268	0	0	1,880	8,058
$5,000	500	4,498	1,104	335	0	0	2,350	8,417
$6,000	500	4,498	858	402	0	$40	2,820	8,594
$7,000	375	4,498	642	469	0	154	2,820	9,072
$8,000	250	4,498	427	536	$66	176	2,820	9,577
$9,000	125	4,498	0	603	176	198	2,820	9,826
$10,000	0	4,498	0	670	279	220	2,820	10,509
$12,000	0	4,498	0	1,005	539	264	2,820	11,870
$15,000	0	4,498	0	1,340	959	330	2,820	14,049
$20,000	0	[5] 4,498	0	2,010	1,966	440	2,820	17,262

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[1] Split evenly between husband who is the U.I. recipient and wife. Earnings of the recipient occur during the 20 weeks he does not receive unemployment insurance.

[2] Husband earned $16,000 in base year and $4,000 in "high quarter." His unemployment insurance weekly benefit amount (WBA) is $162 plus $11 in dependents' allowances for a total of $173. He gets 26 weeks of benefits for a potential amount of $4,498.

[3] Assumes these deductions (reflecting proration for dependent care): $1,068 at zero earnings; $1,708 at $2,000, $2,348 at $4,000, $2,568 (maximum) at $5,000 and above.

[4] Assumes deduction allowed in AFDC for cost of care for one child plus standard sum, prorated for less than full-time work.

[5] $1,249 of this U.I. sum is subject to U.S. income tax.

Source: Congressional Research Service.

APPENDIX L. QUALITY CONTROL SYSTEMS

In the four major welfare programs, AFDC, SSI, medicaid, and the food stamp program, the Federal Government and the States have established on-going "quality control" systems. These systems have two goals: correcting faults in program administration that contribute to erroneous payments and reducing the extent of misspent benefit dollars. To these ends, they attempt to: (1) measure the extent and dollar value of "errors" in administration; (2) identify the types and causes of error; and (3) specify and monitor corrective actions taken to eliminate or reduce errors.

Fiscal incentives and sanctions have also been made a part of these systems. Under these sanctions States can be held liable for the cost of benefit payments made in excess of federally established error tolerance levels, often referred to as target error rates, or (in the food stamp program) they may be sanctioned by the loss of a portion or all of the Federal share of their food stamp administrative expenses. The Tax Equity and Fiscal Responsibility Act of 1982 (P.L. 97-248) included new target error rates for AFDC and medicaid; the 1982 Omnibus Budget Reconciliation Act (P.L. 97-253) also established target error rates for the food stamp program. The AFDC target error rate for fiscal year 1983 was 4 percent, and is to be reduced to 3 percent for fiscal year 1984 and thereafter. For medicaid, a 3-percent target error rate was established for quarters beginning after March 30, 1983. Under medicaid, prospective fiscal sanctions were authorized to be applied beginning in the second half of fiscal year 1983 for States with error rates exceeding 3 percent. However, errors, which, if corrected, would not have made a difference in the amount of medical assistance paid would be excluded from the calculation. Prospective sanctions are currently being challenged in court by several States.

Under the food stamp law which became effective at the start of fiscal year 1983, States were required to reduce their error rates by one-third each year, but they also must reach 5 percent by fiscal year 1985.

For AFDC and medicaid there are no longer any fiscal incentive provisions except in Guam, Puerto Rico, and the Virgin Islands. For food stamps, the incentive provision is an increase from 50 percent to 60 percent in the Federal share of administrative costs for States with error rates of 5 percent or less.

MEASUREMENT OF ERROR

The core of the four existing quality control systems is the semiannual quality control survey. Every 6 months (October/March and April/September) each system compiles the results of a randomly selected, statistically valid sample survey of cases, ranging from 40,000 to 75,000 cases, nationwide. Each selected case is subjected to a thorough review by quality control personnel, including a full field investigation. This review identifies payments to ineligibles, overpayments, underpayments, the type of error made, the responsibility (recipient versus administering agency) for the error, and, in some cases, incorrect denials of aid. Error "rates" are then established for that 6-month review period for each State: "caseload error rates indicate the proportion of ineligible cases, overpaid cases, underpaid cases, and, in some cases, improperly denied cases in the sample caseload; "payment" error rates indicate the extent of erroneous payments in each category of error as a proportion of total dollars paid out to the sampled caseload. Moreover, information on the sources and types of errors identified in each quality control review is compiled for use in implementing administrative "corrective actions" intended to reduce or eliminate similar errors in the future.

In the AFDC and food stamp systems, quality control error rates quantify the extent to which eligibility and payment errors exist in the State-administered caseloads of these two programs. In the medicaid system, quality control error rates indicate the extent to which errors as to eligibility, overpayment, claims processing (payment of improper claims), and identification of third-party liability exist in the medicaid population. And, in the SSI system, quality control error rates illustrate the extent and cost of errors in the federally administered caseload.

The "errors" identified and measured in all four quality control systems range from simple procedural or arithmetical mistakes, to lack of verification or nonreporting of income, to outright recipient fraud. As a result, although quality control error rates and the information behind them do give a picture of the extent to which improper decisions are being made and help administering agencies pinpoint areas where improvement is needed, they do not represent a statistically accurate measure of intentional actions such as fraud. In fact, "agency-caused" procedural errors make up nearly half the errors typically identified in quality control surveys, and "recipient-caused" errors are often simple mistakes in understanding what is required or failure to provide information on a timely basis.

ADMINISTRATION

In the AFDC, medicaid, and food stamp programs, the quality control systems are operated by State quality control staff under Federal guidelines and supervision; in the SSI program, the entire quality control system is federally operated since it measures the performance of Federal administration. When identifying errors in food stamp and SSI administration, agency and recipient actions are compared to Federal rules; in the AFDC and medicaid systems, errors are identified through comparison with State rules established under general Federal guidelines.

The cost of operating quality control systems is carried as a regular administrative cost and is shared by the States and Federal Government, just as any other administrative expense.

CORRECTIVE ACTION

The basic goal of quality control systems is to reduce, over time, the extent and cost of errors in program administration. As part of each system, "corrective action plans" for error reduction are regularly formulated based on the findings of the quality control sample surveys. Corrective actions can range from personnel policy changes or new computer systems, to substantive changes in eligibility rules or procedures for verifying information provided by recipients. Very often, "error-prone" profiles are drawn up from the results of quality control surveys to assist administrators in identifying cases to which particular attention should be paid.

SANCTIONS AND INCENTIVES

Another use of the results of a quality control sample is to determine the degree to which States (or the Federal Government in the case of SSI) will be held financially liable for erroneous payments and the amount of increased Federal funding of State costs in cases where States meet Federal standards for low levels of erroneous payments.

In the AFDC and medicaid systems, States may be "sanctioned" by being required to pay the Federal Government the Federal cost of improperly issued benefits, as shown by quality control surveys, if they do not keep their error rates below the target rates established by the Tax Equity and Fiscal Responsibility Act for AFDC and medicaid. The fiscal sanction that may be imposed is the amount of Federal funds misspent above the target error rate. However, while fiscal sanctions have been included in legislation prior to the 1982 laws, they have been waived routinely when States demonstrate that they are making a good faith effort to reduce errors. In the SSI system, the Federal Government is to reimburse States for their share of federally administered SSI funds misspent above a 4-percent "tolerance level." In food stamps, States may be sanctioned through loss of a portion or all of the Federal share of their administrative expenses.

Food stamp program incentive payments are made as increases in the Federal share of State administrative expenses—from the normal 50 percent to 60 percent where the cumulative error rate is less than 5 percent. The food stamp incentive payment requirements also stipulate that the rate of improper denials must fall below a Federal tolerance level in order for an incentive payment to be made on the basis of low or rapidly reducing rates of erroneous payment.

Table 1 summarizes national payment error rates for the four major welfare programs over recent quality control review periods.

For AFDC, the national average payment error rate has remained well above the target rate of 4.0 percent. Food stamp program quality control data also show error rates well above the legislated target levels. However, the medicaid program has shown declining error rates.

HISTORICAL PERSPECTIVE OF QUALITY CONTROL IN THE AFDC PROGRAM

In the early 1960's, as AFDC costs and caseloads began to grow, Congress requested that the Department of Health, Education, and Welfare verify AFDC expenditures. In response to this request, the Department developed an on-going system to validate eligibility and benefits and to serve as a management tool to improve the accuracy of the eligibility and benefit determination process. This evolved into the current quality control system. Table 2 shows State payment errors over time.

In 1973 regulations were issued establishing error tolerance levels of 3 percent on errors resulting from ineligibility and 5 percent on under and overpayments. Any erroneous payments made by the State above these amounts would be disallowed. These tolerances, which were not established by statute, were challenged in court as being arbitrary and capricious by the State of Maryland (*Mathews* v. *Maryland*). The court ruled in Maryland's favor (1978).

On March 7, 1979, the Department issued new regulations establishing error rate limits based on the national average of error rates. The March 7 regulations also included a "good cause" provision enabling the Secretary to waive disallowances based on the State's failure to meet the limit. The March 7 regulation and the threat of disallowances were effective in getting States to implement corrective action. Disallowances were temporarily suspended if States submitted negotiated corrective action plans. No disallowances were taken.

In 1979 the Michel amendment was enacted as a rider to the Labor, HHS and Education fiscal year 1980 appropriation bill. This amendment requires each State to reach a payment error rate of 4 percent by September 30, 1983. In January 1980 the Department issued the following rules implementing the Michel requirements: States were required to make one-third progress toward the 4 percent goal in fiscal year 1981; two-thirds progress toward the goal in fiscal year 1982; and to attain 4 percent by the end of fiscal year 1983.

The Tax Equity and Fiscal Responsibility Act of 1982 (TEFRA) included further AFDC error rate reduction requirements. TEFRA requires States to move from the 4 percent standard established by the Michel amendment to a 3 percent standard in fiscal year 1984.

Columns 1 and 2 of table 3 show State payment error rates and target error rates for fiscal year 1981, the first year the Michel requirements were in effect. Based on these data, 28 States are subject to disallowance for failure to meet their error rate targets for that fiscal year.[1] These are shown in column 3. In March 1983, States were informed of their failure to meet their targets, of the amount of the disallowances, and of the States' right to request a waiver of the disallowance. All 28 States subject to disallowance for failure to meet their fiscal year 1981 targets requested good faith waivers. At the current time, no disallowances have been levied against any State. HHS is in the process of reviewing the State requests for waivers.

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[1] The fiscal year 1984 appropriation legislation suggested that no sanctions be taken until a major review of the quality control program is carried out; the Department, as of January 10, 1984, was proceeding with the sanctioning process.

Column 4 of table 3 shows State payment error rates for the first half of fiscal year 1982, the most recent period for which QC data are available, and State target error rates for all of fiscal year 1982 are shown in the last column. As of the first half of fiscal year 1982, 20 States had met their target error rate for that year. However, disallowances will not be determined until data are available for the full fiscal year.

TABLE 1.—SUMMARY OF NATIONAL PAYMENT ERROR RATES BY PROGRAM

	Oct. 1979–Mar. 1980	Apr. 1980–Sept. 1980	Oct. 1980–Mar. 1981	Apr. 1981–Sept. 1981	Oct. 1981–Mar. 1982
AFDC	8.3	7.3	8.3	7.0	7.3
Medicaid	5.7	4.7	4.4	[1] 3.0	[1] 2.7
Food stamps	10.2	8.9	10.4	11.8	12.2
SSI	5.0	4.9	5.3	4.9	4.8

[1] In these periods a new definition of a payment error was implemented. Therefore these error rates are not exactly comparable to earlier periods.

Source: Congressional Research Service.

TABLE 2.—AFDC PAYMENT ERROR RATES,[1] OCTOBER 1979–MARCH 1982

State	Oct. 1979–Mar. 1980	Apr. 1980–Sept. 1980	Oct. 1980–Mar. 1981	Apr. 1981–Sept. 1981	Oct. 1981–Mar. 1982
National average	8.3	7.3	8.3	7.0	7.3
Alabama	6.6	7.6	8.3	7.1	5.5
Alaska	13.4	14.4	13.8	22.1	12.9
Arizona	7.7	9.5	8.7	7.8	11.6
Arkansas	9.3	6.1	6.6	7.0	8.8
California	6.3	5.1	8.6	5.0	7.4
Colorado	9.8	13.3	10.1	[2] 6.5	5.2
Connecticut	6.3	6.2	8.0	7.1	5.3
Delaware	8.1	7.9	12.8	10.3	10.6
District of Columbia	14.3	10.5	15.1	12.0	17.6
Florida	6.5	5.8	7.5	8.4	6.3
Georgia	8.3	7.8	7.3	5.8	4.8
Hawaii	8.9	9.2	10.1	10.1	8.7
Idaho	6.0	11.8	12.7	5.1	4.7
Illinois	9.4	6.9	8.6	7.9	7.7
Indiana	4.5	4.6	5.2	3.2	3.5
Iowa	4.5	3.8	4.4	4.1	4.1
Kansas	4.0	7.4	7.5	8.7	5.6
Kentucky	6.1	4.7	5.5	4.4	3.4
Louisiana	6.5	7.2	5.8	7.6	6.4

TABLE 2.—AFDC PAYMENT ERROR RATES,[1] OCTOBER 1979–MARCH 1982—Continued

State	Oct. 1979–Mar. 1980	Apr. 1980–Sept. 1980	Oct. 1980–Mar. 1981	Apr. 1981–Sept. 1981	Oct. 1981–Mar. 1982
Maine	5.9	7.3	8.6	7.2	5.3
Maryland	12.7	12.7	11.8	11.3	9.1
Massachusetts	16.7	8.2	11.1	7.4	5.5
Michigan	8.2	7.3	6.9	7.7	9.0
Minnesota	4.5	2.3	3.8	5.1	3.1
Mississippi	7.9	6.9	7.3	6.5	5.0
Missouri	8.7	5.9	6.5	7.7	6.1
Montana	9.0	11.2	6.9	3.1	1.1
Nebraska	5.6	4.3	4.1	6.8	5.9
Nevada	6.0	2.3	2.5	2.0	1.5
New Hampshire	11.0	11.1	5.5	7.7	5.8
New Jersey	11.6	9.3	8.4	7.7	9.4
New Mexico	6.3	8.2	12.4	12.4	11.9
New York	7.0	9.7	9.1	6.9	6.8
North Carolina	6.5	4.8	6.2	4.7	3.7
North Dakota	7.3	4.7	3.3	2.9	1.3
Ohio	8.7	8.7	8.4	9.3	7.9
Oklahoma	4.0	4.8	4.9	8.3	4.7
Oregon	5.0	4.0	6.7	6.8	7.3
Pennsylvania	11.6	8.0	9.8	8.3	9.4
Rhode Island	8.1	9.7	6.8	5.7	6.2
South Carolina	7.7	6.9	7.4	8.3	9.4
South Dakota	3.6	6.8	7.2	2.1	3.8
Tennessee	7.0	7.0	10.2	7.7	5.6
Texas	7.4	7.8	7.1	7.9	8.8
Utah	9.1	5.5	6.0	[2] 3.7	5.4
Vermont	11.3	11.4	3.8	6.5	5.7
Virginia	5.4	4.7	3.7	3.5	3.3
Washington	8.8	9.1	9.8	8.7	7.4
West Virginia	5.3	6.9	7.1	7.6	8.1
Wisconsin	8.4	7.6	9.4	7.1	8.0
Wyoming	11.1	16.4	18.9	8.4	3.8
Guam	NA	NA	NA	NA	NA
Puerto Rico	6.8	10.3	10.0	NA	NA
Virgin Islands	10.5	5.4	NA	NA	NA

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[1] Weighted; each 6-month error rate is weighted by the percentage of total annual payments that was expanded in the period.

[2] Revised.

NA: Not available.

Source: Department of HHS, Office of Family Assistance.

TABLE 3.—AFDC ERROR AND TARGET RATES FOR FISCAL YEAR 1981 AND FISCAL YEAR 1982 AND POTENTIAL DISALLOWANCES FOR FISCAL YEAR 1981

	Fiscal year 1981 [1]	Target rate	Potential disallowance amount (thousands)	Oct. 1981–Mar. 1982 [3]	Target rate [3]
U.S. average	7.7		[2] $73,626	7.3	
Alabama	7.7	7.6	47	5.5	5.8
Alaska	18.1	22.1		12.9	13.1
Arizona	8.3	6.7	[2] 202	11.6	5.3
Arkansas	6.8	7.4		8.8	5.7
California	6.8	4.0	35,067	7.4	4.0
Colorado	[2] 8.2	4.2	[2] 1,898	5.2	4.1
Connecticut	7.5	7.1	424	5.3	5.5
Delaware	11.6	12.0		10.6	8.0
District of Columbia	13.6	16.3		17.6	10.1
Florida	7.9	5.1	3,467	6.3	14.5
Georgia	6.5	6.5		4.8	5.3
Hawaii	10.1	7.5	1,212	8.7	5.7
Idaho	9.1	4.3	691	4.7	4.1
Illinois	8.3	12.7		7.7	8.4
Indiana	4.1	4.0	113	3.5	4.0
Iowa	4.3	6.5		4.1	5.3
Kansas	8.1	4.1	1,903	5.6	4.0
Kentucky	5.0	8.1		3.4	6.1
Louisiana	6.7	8.7		6.4	6.4
Maine	7.9	7.5	168	5.3	5.7
Maryland	11.6	10.4	1,325	9.1	7.2
Massachusetts	9.3	11.9		5.5	8.0
Michigan	7.3	7.5		9.0	5.7
Minnesota	4.5	4.0	651	3.1	4.0
Mississippi	6.9	9.0		5.0	6.5
Missouri	7.1	8.1		6.1	6.0
Montana	4.9	7.8		1.1	5.9
Nebraska	5.5	4.4	280	5.9	4.2
Nevada	2.3	4.0		1.5	4.0
New Hampshire	6.6	8.7		5.8	6.3
New Jersey	8.0	7.5	1,280	9.4	5.8
New Mexico	12.4	4.5	2,493	11.9	4.3
New York	8.0	7.2	6,270	6.8	5.6
North Carolina	5.4	6.6		3.7	5.3
North Dakota	3.1	4.0		1.3	4.0
Ohio	8.9	7.7	3,930	7.9	5.8
Oklahoma	6.6	4.0	1,508	4.7	4.0

TABLE 3.—AFDC ERROR AND TARGET RATES FOR FISCAL YEAR 1981 AND FISCAL YEAR 1982 AND POTENTIAL DISALLOWANCES FOR FISCAL YEAR 1981—Continued

	Fiscal year 1981 [1]	Target rate	Potential disallowance amount (thousands)	Oct. 1981–Mar. 1982 [3]	Target rate [3]
Oregon	6.8	9.8	....	7.3	6.9
Pennsylvania	9.0	12.2	....	9.4	8.1
Puerto Rico	8.9	6.6	1,714	9.7	5.3
Rhode Island	6.3	9.8	....	6.2	6.9
South Carolina	7.8	6.1	1,004	9.4	5.0
South Dakota	4.7	4.5	17	3.8	4.3
Tennessee	8.9	6.0	1,754	5.6	5.0
Texas	7.5	5.9	[2] 1,112	8.8	5.0
Utah	[2] 4.9	4.0	[2] 297	5.4	4.0
Vermont	5.2	4.3	225	5.7	4.0
Virginia	3.6	9.1	....	3.3	6.6
Washington	9 3	5.8	4,162	7.4	4.9
West Virginia	7.4	8.9	....	8.1	6.4
Wisconsin	8.2	8.7	....	8.0	6.4
Wyoming	13.7	4.0	413	3.8	4.0

[1] Weighted; each 6-month error rate is weighted by the percentage of total annual payments that was expended in that period.

[2] Revised.

[3] Data for the second half of fiscal year 1982 are not yet available. As can be seen in table 2, the percentages can vary substantially from the previous 6 months. Therefore, caution should be exercised in comparing these 2 columns.

Source: Department of Health and Human Services, Office of Family Assistance, June 24, 1983 and January 9, 1984.

PART 2

TRUST FUNDS (OR SPECIAL FUNDS) WITHIN THE JURISDICTION OF THE COMMITTEE ON WAYS AND MEANS

Section 1. Black Lung Disability Trust Fund
Section 2. Airport and Airway Trust Fund
Section 3. Highway Trust Fund
Section 4. Inland Waterways Trust Fund
Section 5. Land and Water Conservation Fund
Section 6. National Recreational Boating Safety and Facilities Improvement Fund
Section 7. Fish Restoration
Section 8. Wildlife Restoration Projects
Section 9. Reforestation Trust Fund
Section 10. Superfunds
    (A) Hazardous Substance Response Trust Fund
    (B) Post-closure Liability Trust Fund
Section 11. Deep Seabed Revenue Sharing Trust Fund
Section 12. Tax Court Judges Survivors Annuity Fund
Section 13. Railroad Retirement System
Section 14. Railroad Unemployment Compensation System

Section 1. Black Lung Disability Trust Fund

LEGISLATIVE HISTORY AND JURISDICTION

National attention was focused on the working conditions of coal miners following a West Virginia coal mine accident in 1968 that killed 78 workers. Congressional hearings the following year on reform of the coal mine safety laws also examined the problems of coal workers' pneumoconiosis, or black lung disease. The Federal Coal Mine Health and Safety Act of 1969 established Federal minimum standards for mines in order to protect the safety and health of coal miners. In addition, title IV of the act provided benefits for miners totally disabled by black lung disease and for dependents of miners who had died from the disease or were totally disabled from the disease at death.

The 1969 act was the first effort, at any level of government, to provide benefits exclusively to the victims of a single occupational disease. This was also the first time the Federal Government took major responsibility in the traditionally State-administered area of workers' compensation. The 1969 act was amended by the Black Lung Benefits Act of 1972, the Black Lung Benefits Reform Act of 1977, the Black Lung Revenue Act of 1977, and the Black Lung Benefits Revenue Act of 1981.

The statutory provisions of the act as amended are contained in 30 U.S.C. sections 901 et seq. and in the Internal Revenue Code of 1954 sections 4121, 4218, 4951, 4952, 4953, and 9501, et seq.

There are two distinct programs of black lung benefits under title IV: part B and part C. The part B program is financed by Federal general revenues and is administered by the Social Security Administration (SSA). Benefits under part B are payable only for claims filed on or before June 30, 1973, (December 31, 1973, in the case of survivors) and thus no new beneficiaries can be added to the rolls. The part C program is administered by the Department of Labor (DOL) and generally applies to claims filed after June 30, 1973. Benefits under part C are paid either by the "responsible" coal mine operator or by the Black Lung Disability Trust Fund.

The Black Lung Disability Trust Fund was created in 1978 pursuant to the Black Lung Benefits Revenue Act of 1977 (Public Law 95-227). In 1981, the statutory provisions of the Black Lung Disability Trust Fund were transferred to the Internal Revenue Code by the Black Lung Benefits Revenue Act of 1981 (Public Law 97-119).

The Committee on Ways and Means has jurisdiction over the excise tax on coal, the structure and administration of the Black Lung Disability Trust Fund, the expenditure purposes of the Trust Fund and tax provisions as to the coal mine operators' self-insurance trusts. The Committee on Education and Labor has jurisdiction over eligibility and evidentiary standards, claims adjudication, and related benefit provisions.

BENEFIT STRUCTURE

Generally, the Black Lung Disability Trust Fund ("Trust Fund") is required to pay benefits with respect to part C claims (claims filed *after* June 30, 1973) in which the miner's last coal mine employment was *before* January 1, 1970. Part B claims (claims filed on or *before* June 30, 1973) are generally paid by the Social Security Administration out of the general revenues of the Treasury, not the Trust Fund. If a miner's last coal mine employment was *after* January 1, 1970, and the claim was filed *after* June 30, 1973, benefits are paid by the coal mine operator judged to be responsible, the so-called "responsible operator," not the Trust Fund. The Trust Fund pays benefits if there is no responsible operator among the miner's employers or if the responsible operator is in default. Under the Black Lung Benefits Revenue Act of 1981, liability for certain claims which had been denied prior to March 1, 1978, but which were reviewed and approved under the liberalized eligibility criteria of the Black Lung Benefits Reform Act of 1977, was also transferred to the Trust Fund. When an operator is determined to be responsible for the payment of benefits which in fact have been paid out of the Trust Fund, then the operator is obligated to reimburse the Trust Fund for those amounts plus interest.

The expenses of the Department of Labor and the administrative expenses of the Department of Health and Human Services for the claims program financed through the Trust Fund are paid out of the trust fund monies. The Trust Fund also bears the cost of its own administration as well as the costs of administering the collection of the excise tax on coal.

A claim under part B or C must meet three general conditions in order to be approved for black lung disability benefits: (1) the miner must have (or, if deceased, have had) pneumoconiosis; (2) the miner must be totally disabled by the disease (or must have been totally disabled at the time of death); and (3) the pneumoconiosis must have arisen out of coal mine employment. There are certain statutory presumptions that are used to establish eligibility.

TABLE 1.—NUMBER OF PART C BENEFICIARIES

[Calendar years]

Class of beneficiary	1979	1980	1981	1982	1983
Primary beneficiaries:					
Miners	30,739	52,922	62,787	61,727	61,790
Widows	19,366	26,739	30,517	32,689	NA
Others	605	1,189	1,831	818	NA
Total primary beneficiaries	50,710	80,850	95,135	95,234	NA
Dependents of primary beneficiaries:					
Dependents of miners	31,184	54,624	63,854	73,137	NA
Dependents of widows	1,678	2,747	3,282	4,975	NA
Dependents of others	315	852	1,130	626	NA
Total dependents	33,177	58,223	68,266	78,738	NA
All beneficiaries	83,887	139,073	163,401	173,972	NA

Source: Department of Labor.

NA—Not available.

TABLE 2.—NUMBER OF PART B BENEFICIARIES

[December 1970–82, September 1983]

Class of beneficiary	1970	1974	1979	1980	1981	1982	1983
Miners	43,921	169,097	129,558	120,235	111,249	102,234	95,587
Widows	24,889	134,700	146,527	146,603	146,173	144,863	143,449
Others	43,166	183,419	142,863	132,639	119,083	107,472	99,349
Total	111,976	487,216	418,948	399,477	376,505	354,569	338,385

Source: Social Security Bulletin.

The basic monthly benefit for a miner totally disabled from black lung or a survivor is 37½ percent of the monthly pay of a Federal employee in grade GS–2, step 1. A totally disabled miner or survivor with one dependent receives the basic monthly benefit rate increased by 50 percent. If the miner or survivor has two dependents, the benefit rate is increased by 75 percent, and if there are three or more dependents, the rate is increased by 100 percent. Benefit rates are revised each year to reflect any revision in Federal pay scales. The rates as of January 1984 were:

Miner or one survivor—$315.60.
Miner or survivor with one dependent—$473.30.
Miner or survivor with two dependents—$552.20.
Miner or survivor with three or more dependents—$631.10.

Black lung benefits are not taxed by the Federal Government, although States may do so.

Reductions in black lung benefits or the offset of black lung benefits against other benefits are subject to significantly different rules depending upon whether the benefits are paid under part B or part C. Under part B, black lung benefits are reduced by any payments received under the workers' compensation, unemployment compensation or disability insurance laws of a State if such payments are for death or disability due to pneumoconiosis. If the State payments are made for reasons other than pneumoconiosis, black lung benefits are not reduced. Part C benefits are reduced for State or Federal workers' compensation (but *not* for unemployment compensation or disability insurance) in the same manner.

Under part B, miners or their parents, brothers or sisters (but not their spouse or children) have always been subject to an earnings test which causes their black lung benefits to be reduced as defined in section 203 of the Social Security Act (the same earnings test for social security recipients). This excess earnings offset does *not* apply to benefits payable under part C, unless the claim for benefits was filed on or after January 1, 1982.

Under part B, black lung benefits are not considered workers' compensation payments and therefore are not considered in calculating any social security disability payments under Title II of the Social Security Act. However under part C, exactly the opposite is the case, and black lung benefits must be taken into account.

Survivor benefits under the black lung program are not reduced as a result of social security survivor benefits.

A miner (but not a miner's family or survivors) receiving black lung cash benefits is eligible for medical and rehabilitation benefits including treatment and/or medications prescribed for the miner's black lung disease and directly associated illnesses. Medical costs are paid either by a responsible coal mine operator or by the Trust Fund, whichever is responsible for payment of regular monthly benefits.

FINANCING MECHANISM

A manufacturers' excise tax is imposed on domestically mined coal (other than lignite) which is sold or used by the producer (Internal Revenue Code sections 4121 and 4218). The pre-1982 rate of tax was the lesser of (1) 50 cents per ton for coal from underground mines and 25 cents per ton for coal from surface mines, or (2) 2 percent of the price for which the coal was sold.

A temporary increase of these excise taxes was enacted in 1981 (Public Law 97-119), effective January 1, 1982. As a result, the current tax is the lesser of (1) $1 per ton for coal from underground mines and 50 cents per ton for coal from surface mines, or (2) 4 percent of the price for which the coal is sold. The temporary tax increase will expire on January 1, 1996, or earlier, if the Black Lung Disability Trust Fund becomes solvent (i.e., the tax will revert to pre-1982 levels).

Amounts equal to the revenues from this excise tax (plus any revenues from the penalty tax on taxable expenditures from a coal mine operator self-insurance trust, described below) are automatically appropriated to the Black Lung Disability Trust Fund.

A responsible operator may fund its liability for black lung benefits through deductible contributions to a qualified tax-exempt trust (code section 501(c)(21)), called coal mine operators' self-insurance trusts. Misuse of a trust due to self-dealing (code section 4951) and expenditures for an improper purpose (code section 4953), trigger certain penalty excise taxes. Amounts collected under these provisions, which in the past have been very small, are appropriated to the Black Lung Disability Trust Fund.

FINANCIAL STATUS OF TRUST FUND

The Trust Fund has been operating at a deficit since its establishment in 1978. As of fiscal year 1983, the Trust Fund has paid out over $3.2 billion in cash benefits and medical expenses, along with approximately $200 million in administrative costs. It also has accumulated over $500 million in interest charges. At the same time, the excise tax on coal has generated only approximately $1.8 billion in revenues leaving a cumulative deficit of over $2 billion through fiscal year 1983. This deficit has been financed with advances from the general revenues of the U.S. Treasury which must be repaid with interest from future trust fund revenues.

Table 3 shows the status of the Trust Fund as of the end of fiscal year 1983.

TABLE 3.—STATUS OF BLACK LUNG DISABILITY TRUST FUND

[In thousands of dollars]

Fiscal year	Income			Outgo		
	Coal tonnage tax	Interest	Advances from general fund	Benefit payments	Administrative expenses	Interest on advances
Actual:						
1978	92,050	1,192	18,925	76,797	35,346	
1979	221,614	122	400,809	582,038	32,149	7,740
1980	272,262		535,837	721,746	34,238	52,497
1981	236,635		554,778	644,288	35,585	109,488
1982	490,746	254	283,002	578,244	35,789	160,597
1983	493,685	321	357,773	623,129	34,936	193,273
Total	1,806,992	1,889	2,151,124	3,226,242	208,043	523,595

Source: Fourth Annual Report on the Financial Condition and Results of Operations of the Black Lung Disability Trust Fund (Department of Treasury, September 30, 1981) and Budget of the U.S. Government, Fiscal Year 1984, Appendix. For 1983, Budget of the U.S. Government Fiscal Year 1985 Appendix.

Under most recent estimates, the changes contained in the Black Lung Benefits Revenue Act of 1981, including the increase in the coal excise tax effective January 1, 1982, are expected to bring the Trust Fund into total solvency by 2007 and allow the Trust Fund to cease borrowing from the general revenues of the Treasury by 1997.

Section 2. Airport and Airway Trust Fund

LEGISLATIVE HISTORY

1970 Act and 1971 Amendment

The Airport and Airway Trust Fund was established as of July 1, 1970, by the Airport and Airway Revenue Act of 1970 (Title II of the Airport and Airway Development Act of 1970, Public Law 91-258). The 1970 Act provided that new and increased aviation user taxes were to be deposited into the Trust Fund and, with interest earned on the deposits, were to be available to meet specified airport and airway obligations of the United States incurred under Title I of the 1970 Act, as it was in effect on the date of enactment. Amounts in the Trust Fund were available for making specified expenditures, as provided in appropriations acts, until July 1, 1980.

The 1970 Act authorized Trust Fund expenditures for the maintenance and operation of air navigation facilities, qualified airport planning and construction purposes, airway facilities and equipment, research and development, safety, and related departmental administrative expenses. However, a 1971 amendment (Public Law 92-174) to Title I of the 1970 Act removed the authority for spending Trust Fund monies for maintenance and operation of the airway system. This amendment also limited the authority for meeting administrative costs from the Trust Fund to only such administrative expenses related to the remaining authorized purposes.

1973 Amendment

A 1973 amendment (Public Law 93-44) to Title I of the 1970 Act increased the authorization levels for airport grants for fiscal years 1974 and 1975, increased the Federal share for certain airport grants and safety and security equipment costs, and amended the definition of airport development to specifically include security equipment required under regulations of the Department of Transportation.

1976 Amendment

The Airport and Airway Development Act Amendments of 1976 (Public Law 94-353) further amended Title I of the 1970 Act to include several additional expenditure categories to be authorized from the Trust Fund. The new expenditure categories were: snow removal equipment; noise suppressing equipment; construction of physical barriers and landscaping for the purpose of reducing the effect of aircraft noise in areas adjacent to public airports; acquisition of land or property interest for airport noise control purposes; airport terminal development (the public, nonrevenue-producing areas, including baggage facilities and passenger moving equipment); and specified amounts for maintenance of airway facilities. Thus, the 1971 prohibition against authorizing airway operating and maintenance costs from the Trust Fund was partially removed by the 1976 amendment. In addition, the 1976 amendment provided authorization levels for airport grants and other existing Trust Fund expenditure programs through fiscal year 1980, and increased the Federal share for certain airport grants for fiscal years 1977 and 1978.

The Committee on Ways and Means offered a Committee amendment as Title III to the 1976 Act Amendments which amended the Trust Fund language to conform it to the authorization provisions approved by the Committee on Public Works and Transportation and to permit expenditures from the Fund to be made until October 1, 1980 (instead of July 1, 1980). The Committee on Ways and Means initially declined to allow expenditures from the Trust Fund for terminal facilities; however, this expenditure purpose was eventually approved by a separate vote of the House.

1979 Amendment

The Aviation Safety and Noise Abatement Act of 1979 (Public Law 96-193) further amended Title I of the 1970 Act to authorize Trust Fund appropriations for airport noise compatibility planning programs and airport noise compatibility grants and to increase the airport development authorization amounts for fiscal year 1980. In addition, the Act amended the Trust Fund language (section 208(f)(1)(A) of the Airport and Airway Revenue Act of 1970; 49 U.S.C. 1742(f)(1)(A)) to conform to the 1979 amendments.

1980 Amendment

In 1980, Public Law 96-298 was enacted to extend the aviation excise taxes and require the deposit of the revenues from these taxes into the Trust Fund from July 1, 1980 until October 1, 1980. In 1980, the Committee on Ways and Means also reported the Airport and Airway Revenue Act of 1980 as a Committee amendment, to be offered as Title II to H.R. 6721, in order to extend aviation excise taxes and the Trust Fund until October 1, 1985. However, the bill was not considered by the House prior to the adjournment of the 96th Congress. As a result, expenditures from the Trust Fund were not authorized after September 30, 1980; further, on October 1 many of the aviation excise taxes automatically expired or were reduced, and the deposit of the remaining aviation excise tax revenues into the Trust Fund was terminated.

1981 Amendment

In 1981, the Committee on Ways and Means approved a technical and conforming amendment to the Trust Fund provisions in order to allow expenditures to be made from the Trust Fund through September 30, 1981. The Committee amendment was included in H.R. 4182, the fiscal year 1981 Airport Development Authorization Act, which was approved by the House in July 1981. The provisions of H.R. 4182 were later enacted as part of the Omnibus Budget Reconciliation Act of 1981, Public Law 97-35.

Also in 1981, the House Committee on Public Works and Transportation approved H.R. 2643 to set funding levels for airport and airway programs for fiscal years 1982 and 1983. At the adjournment of the first session of the 97th Congress, a financing title for the bill was pending in the Committee on Ways and Means.

1982 Amendment

On May 12, 1982, the Committee on Ways and Means reported H.R. 4800 as a financing title for H.R. 2643; the bill extended and reinstated various aviation excise taxes and the Airport and Airway Trust Fund for the period July 1, 1982, through December 31, 1983.

Title V of the Tax Equity and Fiscal Responsibility Act of 1982 (P.L. 97-248) contained the provisions of the Airport and Airway Improvement Act of 1982, authorizing spending out of the Trust Fund for airport programs at higher levels over the period fiscal years 1982 through 1987. Aviation excise tax provisions (similar to those in H.R. 4800) were also included in title III of TEFRA to raise sufficient revenue to fund the airport and airway spending authorized in title V of the Act. The various aviation excise taxes were extended and reinstated, some at higher tax rates, for the period September 1, 1982, through December 31, 1987 (see following table). Three modifications were made in the passenger ticket tax and an exemption was provided from the fuel and ticket taxes for helicopters used in timber operations or hard mineral exploration or development where the Federal aviation system and Federal-aid airports are not utilized. The Airport and Airway Trust Fund was extended through fiscal year 1987 and its expenditure purposes were updated to include the changes made in title V. (Adjustments in certain of the airport and airway spending programs were subsequently made in H.R. 6211 (P.L 97-424), and conforming cross references in the Trust Fund provisions were also included.) The Trust Fund provisions were also transferred to the Internal Revenue Code, effective September 1, 1982.

FINANCING MECHANISM

The Airport and Airway Trust Fund is financed by several aviation excise taxes. As noted above, these excise taxes were reimposed or increased in TEFRA of 1982. Generally these taxes are the same as in effect before October 1, 1980, except that the aviation fuel taxes are now at higher rates. The following table sets forth the taxes and rates under prior law and those presently in effect:

TABLE 1.—SCHEDULE OF AIRPORT AND AIRWAY TRUST FUND EXCISE TAXES

Tax (and code section)	Prior law (July 1, 1970–Oct. 1, 1980) rate	Rate Oct. 1, 1980–Aug. 31, 1982	Present law rate (Sept. 1, 1982–Dec. 31, 1987)
Air passenger ticket tax (sec. 4261(a), (b) and (d) [1] [2].	8 percent	5 percent	8 percent.
Air freight waybill tax (sec. 4271).	5 percent	0	5 percent.
International departure tax (sec. 4261(c)).	$3 per person	0	$3 per person.
Fuels tax for noncommercial (general) aviation (sec. 4041(c)) [2].	7 cents per gallon.	[3] 4 cents per gallon.	12 cents per gallon on gasoline; 14 cents per gallon on other fuels.
Aircraft use tax [2]	(4)	0	0.
Aircraft tires tax (sec. 4071) [5]	5 cents per pound.	4.875 cents per pound.	[5] 4.875 cents per pound.
Aircraft tubes tax (sec. 4071) [5]	10 cents per pound.	10 cents per pound.	[5] 10 cents per pound.

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[1] Air transportation between the United States and a foreign station which is not more than 225 miles from the nearest point in the continental United States, as well as between two such foreign stations, generally is subject to this tax where payment for the travel is made in the United States. The 1982 amendments permit the Secretary to waive the 225-mile zone rule if Canada or Mexico enter into a "qualified agreement". This tax does not apply to transportation between the United States and other foreign stations where payment is made outside the United States, nor does it apply to the U.S. portions of certain uninterrupted international air transportation (where the layover does not exceed 12 hours). Also, the air passenger ticket tax does not apply to the portion of flights to or from Alaska and Hawaii which are not made over the United States (Code sec. 4262).

[2] The tax does not apply to aircraft owned by a tax-exempt museum operated exclusively for the procurement, care, and exhibition of World War II aircraft (defined in sec. 4041(h)). Certain helicopters are exempt under the 1982 amendment.

[3] The 7 cents a gallon tax on jet fuel expired on October 1, 1980; the 4 cents a gallon tax applied only to aviation gasoline from Oct 1, 1980 through August 31, 1982.

[4] An annual tax of two parts: (1) a $25 annual per plane tax, plus (2) a weight tax of 3½ cents per pound for turbine-power (jet) aircraft and 2 cents per pound for nonturbine-powered aircraft for each pound in excess of 2,500 pounds of "maximum certificated takeoff weight." However, for the period July 1, 1980-September 30, 1980, the use tax was one-fourth the applicable annual rates.

[5] Under the provisions of H.R. 6211 (PL 97-424), the taxes on inner tubes and non-highway tires are repealed, effective Jan. 1, 1984.

The passenger ticket tax applies to air passenger transportation within the United States, while the $3 per passenger international departure tax applies to flights abroad beginning in the United States and to flights to and from Alaska and Hawaii. The freight waybill tax applies to the transportation of property by air which begins and ends in the United States. Aircraft not subject to these passenger or freight taxes are subject to the fuel taxes noted above; exemptions are provided for aviation fuels used on farms or used for farming purposes or by a State or local government or a non-profit educational organization. Also, under the 1982 Act, certain helicopters are exempt from the fuels and ticket taxes if used in timber or hard mineral operations where the Federal aviation system and Federal-aid airports are not used.

EXPENDITURE PURPOSES

The present Trust Fund statute authorizes obligations incurred under Title I of the 1970 Act, under the 1976 Act Amendments, under the 1979 Act amendments, under the Fiscal Year 1981 Authorization Act, or under the Airport and Airway Improvement Act of 1982, as such Acts were in effect on the date of enactment of the 1982 Act.

The Airport and Airway Trust Fund expenditure programs authorized under present law are generally as follows:

1. *Airport Development Aid Program (ADAP)*—
   (a) *Airport planning*—Grants to planning agencies for airport system planning and public agencies for airport master planning; also, airport noise compatibility planning grants for air carrier airports eligible for terminal development costs.
   (b) *Airport construction*—Construction, improvement or repair of a public airport (includes removal of airport hazards and construction of physical barriers and landscaping to diminish noise).
   (c) *Airport terminal facilities*—Non-revenue-producing public-use areas which are directly related to movement of passengers and baggage at certificated air carrier airports having required safety and security equipment (include baggage facilities and passenger-moving equipment); does not include costs of construction of public parking facility for passenger automobiles or costs of construction, alteration, or repair of a hanger or any airport building unless used to house facilities or activities directly related to safety of persons at the airport. These facilities include multimodal terminal development and bond retirement for certain airports.
   (d) *Land acquisition*—Includes land or property interests for airport noise control purposes.
   (e) *Airport-related equipment*—Airport security equipment required by DOT regulations, snow removal equipment, noise suppressing equipment, navigation aids, and safety equipment required for airport certification.
   (f) *Airport noise compatibility programs*—Includes soundproofing of public buildings; local governmental units are eligible for project grants as well as airports.
2. *Facilities and Equipment Program (F&E)*—Costs of acquiring, establishing, and improving air navigation facilities.
3. *Research, Engineering, Development, and Demonstration Program (R&D)*—Projects in connection with FAA research and development activities.
4. *Operations and Maintenance Programs (O&M)*—Flight check and maintenance of air navigation facilities; services provided under international agreements relating to the U.S. share of joint provision of air navigation services.
5. *Other costs*—Certain airline costs of international passenger security screening facilities.

MISCELLANEOUS

The Secretary of the Treasury is required to report to the Congress each year on the financial condition of the Trust Fund.

The Committee on Public Works and Transportation has jurisdiction over airport and airway development and improvement programs.

The statutory provisions establishing the Airport and Airway Trust Fund and governing its operations are located at section 9502 of the Internal Revenue Code.

FINANCIAL STATUS OF TRUST FUND

Table 2 is based on the Department of Treasury's Twelfth Annual Report on the Trust Fund and the Appendix to the U.S. Budget for fiscal year 1985, and it sets forth the Fund's receipts and outlays for fiscal years 1971 through 1985.

Table 2 also contains cash balances in the Trust Fund at the end of each fiscal year since 1971. However, it must be noted that large portions of the unexpended balance are committed to liquidate outstanding unfunded obligations and unexpended appropriations. Table 3 sets forth the balances remaining in the Fund after these commitments have been taken into account, called the uncommitted balances, for fiscal years 1977 through 1985.

TABLE 2.—STATUS OF AIRPORT AND AIRWAY TRUST FUND, FISCAL YEARS 1971 THROUGH 1985

[In millions of dollars]

Fiscal year	Receipts				Outlays	Cash balance in the fund [2]
	Excise taxes, net	Interest on investments	Other [1]	Total		
1971	563		621	1,184	287	897
1972	649		902	1,551	1,389	1,058
1973	758		69	828	699	1,187
1974	840	28		868	521	1,534
1975	962	96		1,058	579	2,013
1976	938	146		1,084	547	2,550
T.Q	277	1		278	92	2,736
1977	1,191	194		1,384	853	3,268
1978	1,326	219		1,545	1,115	3,698
1979	1,526	282		1,809	1,114	4,392
1980	1,874	400		2,274	1,224	5,442
1981	21	561		582	1,306	4,719
1982	133	542		674	1,512	3,882
1983	2,165	533		2,698	1,792	4,787
1984	2,555	550		3,105	1,676	6,217
1985	2,843	691		3,534	3,505	6,245

[1] Amounts appropriated from the general fund and unexpended balances of certain general fund accounts transferred to the Trust Fund.

[2] Large portions of the unexpended balance are committed to liquidate outstanding unfunded obligations (contract authority) and to liquidate unexpended appropriations. Also, funds equivalent to cumulative shortfalls below minimum annual obligation levels must be reserved for future expenditure.

Source: "Twelfth Annual Report on the Financial Condition and Results of Operations of the Airport and Airway Trust Fund, September 30, 1982," Department of Treasury, and Appendix to the U.S. Budget for Fiscal Year 1985.

TABLE 3.—AIRPORT AND AIRWAY TRUST FUND UNCOMMITTED BALANCES—FISCAL YEARS 1977 THROUGH 1985

Uncommitted balance end of fiscal year	Millions of dollars
1977	1,709
1978	2,182
1979	2,742
1980	3,686
1981	3,021
1982	2,156
1983	1,882
1984	2,258
1985	1,368

Source: Appendix to the U.S. Budget for Fiscal Years 1979–85.

Section 3. Highway Trust Fund

LEGISLATIVE HISTORY

Development of the Trust Fund and Highway Tax Revenue Sources

The Highway Trust Fund was established in 1956 (Public Law 84–627) for a 16-year period to provide a specific source of financing for the new Interstate System and continuation of other Federal aid-highway programs. The other highway-aid programs previously had been financed through the general fund. The 1956 legislation increased certain highway user taxes, primarily the taxes on motor fuels (from 2 cents a gallon to 3 cents a gallon), and imposed a new highway user tax on heavy highway motor vehicles. Initially, the Trust Fund was financed by the proceeds of the following highway user excise taxes: the manufacturers' taxes on gasoline for highway use, and tires, tubes, and tread rubber for highway use; a portion of the manufacturers' tax on trucks and buses (20 percent for 1957 and 50 percent thereafter, until changed to 100 percent by 1961 legislation); the tax on use of heavy highway motor vehicles; and the retailers' tax on diesel and special motor fuels for highway use.[1]

Section 209(b) of the Highway Revenue Act of 1956 included a declaration of congressional policy that (1) if it appears that the total receipts of the Trust Fund will be less than the total expenditures from the Trust Fund, or (2) if it appears that the distribution of the tax burden among the various classes of highway users or other beneficiaries of the highways is not equitable, then Congress is to enact legislation to bring about a balance of total Trust Fund receipts and expenditures or to make an equitable distribution of the tax burden. In addition, the 1956 Act provided for a 3-year highway cost allocation study (later extended for 2 additional years) to determine the fair distribution of highway-related user taxes among the various users.

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[1] The Airport and Airway Revenue Act of 1970 created the Airport and Airway Trust Fund and deposited into it the manufacturers' and retailers' taxes on aviation gasoline, the manufacturers' taxes on tires and tubes of the types used on aircraft, and the retailers' taxes on aviation fuel, as well as the taxes on transportation of persons and property by air and on use of civil aircraft.

The Land and Water Conservation Act of 1965 created the Land and Water Conservation Fund and required that the taxes on special fuels and gasoline used as motorboat fuel be transferred to that fund from the Highway Trust Fund. In addition, P.L. 96–451 authorized transfers up to $20 million per year for fiscal years 1981–1983 of revenues from the motorboat fuel taxes to the National Recreational Boating Safety and Facilities Improvement Fund. This amount was increased to $45 million in the Highway Revenue Act of 1982, through fiscal year 1988.

The manufacturers' excise taxes on lubricating oil for highway use and truck and bus parts were transferred into the Trust Fund as the result of 1966 legislation.

The Revenue Act of 1971 repealed the tax on trucks and buses with gross vehicle weight of 10,000 pounds or less.

The Energy Act of 1978 repealed the manufacturers' tax on buses as well as the excise taxes on bus parts, tires and tubes, tread rubber and lubricating oil.

Further changes were made in the Highway Trust Fund taxes in the Highway Revenue Act of 1982.

Section 209(g) of the Highway Revenue Act of 1956 also contained a provision—the "Byrd Amendment"—to prevent the Trust Fund from reaching a deficit position. In general, this provision required that if Trust Fund balances and estimated future receipts would be inadequate to cover obligations as they become due, a reduction of the Interstate System authorization in an amount sufficient to eliminate the difference would be required.

In 1959, the tax on motor fuels was temporarily increased for 1960 and 1961 from 3 cents a gallon to 4 cents a gallon in order to finance the authorized level of Trust Fund spending. The 4-cent rate was then extended in 1961 for the life of the Trust Fund (June 30, 1972, at that time). The 1961 legislation also increased the tax rates on tires, tubes and tread rubber, doubled the tax on heavy trucks, and transferred the entire 10-percent excise tax on trucks and buses to the Trust Fund (previously, only one-half of this tax went into the Trust Fund).[2] In addition, the 1961 Act extended the Highway Trust Fund for 3 months, from June 30, 1972, to September 30, 1972, again to provide additional revenues to meet projected highway program costs.

Highway legislation in 1966 also transferred the revenues from the existing manufacturers' excise taxes on lubricating oil and truck and bus parts to the Highway Trust Fund. Thus, with respect to the highway-related excise taxes, only the tax on automobiles did not go into the Trust Fund. (The 7-percent excise tax on automobiles was later repealed by the Revenue Act of 1971.)

Subsequent Extensions of Highway Trust Fund

The Highway Trust Fund and the related highway user taxes have been extended four times since 1961: a 5-year extension in the Federal-Aid Highway Act of 1970 (from September 30, 1972, through September 30, 1977), a 2-year extension in the Federal-Aid Highway Act of 1976 (through September 30, 1979), a 5-year extension in the Surface Transportation Assistance Act of 1978 (through September 30, 1984) and a 4-year extension in the Surface Transportation Assistance Act of 1982 (through September 30, 1988). The extensions, prior to 1982, were added by the Committee on Ways and Means as a separate title to a highway authorization bill of the Committee on Public Works and Transportation and involved only the extensions of existing highway user excise taxes and tax rates. (See reference to 1982 Act below).

In the 1978 Act, the operation of the "Byrd Amendment" was modified to require that when anticipated revenues are insufficient to cover expenditures, reductions will be made on a pro rata basis to all apportioned highway funds, rather than to interstate apportionments only (sec. 209(g) of the Highway Revenue Act of 1956). In addition, an exemption from the fuels taxes was provided for fuels used by qualified taxicabs until the end of 1980 (later extended to December 31, 1982). Finally, two studies were required: a cost allocation study was required to be conducted by the Department of Transportation with a final report to Congress by January 15, 1982, and a study of the highway excise tax structure was required to be conducted by the Department of Treasury with a final report to Congress by April 15, 1982.[3]

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[2] The 1961 Act also repealed a scheduled transfer to the Trust Fund of one-half the 10-percent excise tax on automobiles.

Highway Revenue Act of 1982

The highway user taxes and trust fund provisions were substantially revised in the Surface Transportation Assistance Act of 1982 (H.R. 6211), Public Law 97-424. Titles I and II of the Act contained authorizations for highway programs at higher levels for four fiscal years, 1983 through 1986. Accordingly, Title V, the Highway Revenue Act of 1982, extends and revises the highway user taxes and the Trust Fund for an additional 4 years, through September 30, 1988 (see following table). Those taxes and the Trust Fund are terminated on October 1, 1988.

In revising and extending the Highway Trust Fund, its provisions were codified in the Internal Revenue Code (section 9503), effective January 1, 1983. Eligible Trust Fund expenditure purposes were revised to include spending authorized under the 1982 Act. Further, the anti-deficit provision ("Byrd amendment") was revised to reduce apportionments when unfunded authorizations exceed estimated receipts for the following 24-month period. Trust Fund estimates are required quarterly.

The 1982 Act increases the amount of revenue (from the motorboat fuels taxes) that can be transferred to the Boating Safety Fund from $20 million to $45 million per year. This fund is also extended through fiscal year 1988.

The Act establishes a new Mass Transit Account, within the Highway Trust Fund, financed from the revenue equivalent of 1 cent of the 9 cents per gallon tax on fuels. Amounts in the Mass Transit Account are available for making capital expenditures authorized under section 21(a)(2) of the Urban Mass Transportation Act. An anti-deficit provision similar to that described above for the Highway Trust Fund, also is to be applied except that unfunded authorizations may not exceed estimated receipts for the following 12 months.

FINANCING MECHANISM

The highway excise taxes deposited into the Highway Trust Fund, as revised under the 1982 Act and in effect until October 1, 1988, are set forth in the following table, in comparison with prior law (pre-1983). Special effective dates are set forth in the footnotes.

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[3] The 1978 amendments were contained in Title V, the Highway Revenue Act of 1978, of the 1978 Surface Transportation Assistance Act (P.L. 95-599). The highway cost allocation study was submitted in May 1982 and the highway excise tax structure study was submitted in December 1982.

TABLE 1.—HIGHWAY EXCISE TAX RATES UNDER PRESENT AND PRIOR LAW

Tax	Prior (pre-1983) rate	Present (1982 Act) rate*
Gasoline (manufacturers)	4 cents per gallon	9 cents per gallon.[1]
Diesel and other motor fuels (retail)	4 cents per gallon	9 cents per gallon.[1]
Lubricating oil (manufacturers)	6 cents per gallon	No tax.[2]
Trucks and trailers (manufacturers)	10 percent of manufacturers sale price	12 percent of retail sale price.[3]
Truck parts and accessories (manufacturers)	8 percent of manufacturers sale price	No tax.[2]
Tires (manufacturers)	Highway—9.75 cents per pound [4] Nonhighway—4.875 cents per pound.[4] Laminated—1 cent per pound.[4]	Graduated rates on highway tires over 40 pounds; no tax on other tires.[4]
Innertubes (manufacturers)	10 cents per pound	No tax.[4]
Tread rubber	5 cents per pound	No tax.[4]
Annual use tax on heavy trucks	$3 per 1,000 pounds, if GVW exceeds 26,000 pounds [5]	Graduated schedule: [5] 33,000–55,000 pounds: $50 plus $25 per 1,000 pounds in excess of 33,000 pounds. 55,000–80,000 pounds: $600 plus $40 per 1,000 pounds in excess of 55,000 pounds. 80,000 pounds and over: $1,600.

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*These excise taxes expire on Oct. 1, 1988.

[1] Effective April 1, 1983.

[2] Effective on the day (Jan. 7, 1983) after the date of enactment; floor stock provisions in the 1982 Act allow refunds for tax paid on tax-repealed articles sold after December 2, 1982, until date of repeal.

[3] Under the 1982 Act, this tax will not apply to trucks under 33,000 pounds or trailers under 26,000 pounds, effective on the day (Jan. 7, 1983) after date of enactment; floor stock refunds are available as noted above. The rate increase on trucks and trailers subject to the tax and the shift to the retail level are effective April 1, 1983.

[4] Effective January 1, 1984, the 1982 Act repeals the taxes on inner tubes, tread rubber, and all tires other than highway tires weighing over 40 pounds. The tax on these highway tires will be 15 cents per pound in excess of 40 pounds for tires between 40 to 70 pounds; $4.50 plus 30 cents per pound on the excess from 70 to 90 pounds; and $10.50 plus 50 cents per pound on the excess over 90 pounds.

[5] Effective July 1, 1984, the use tax on heavy trucks is converted to a graduated rate schedule based on taxable gross weight. The schedule noted in the table applies for taxable periods beginning July 1, 1984, and July 1, 1985. On July 1, 1986, 1987, and 1988, the rate schedule per 1,000 pounds above 55,000 pounds will be increased to $44, $48, and $52, respectively, which will raise the maximum tax to $1,700, $1,800, and $1,900 respectively. These scheduled rates apply with a one-year delay to taxpayers who own and operate no more than 5 vehicles. Under the Act, an exemption is provided for vehicles which are used on the public highways for 5,000 miles or less during the year, and the tax is pro-rated where vehicles are destroyed or stolen during the year. The tax is also prorated when the vehicle is initially placed in service after the first month of the taxable year (under present and prior law).

Under present law, exemptions from the fuels taxes are provided for fuel used on a farm or for farming purposes, fuel used in intercity, local or school buses, and fuel used by qualified taxicabs (the latter exemption is through September 30, 1984).[4] The 1982 Act also provided a full exemption for off-highway business use and for certain alcohol fuels. The exemption for gasohol was increased from 4 cents to 5 cents per gallon under the 1982 Act, effective through December 31, 1992. In addition, buses are exempt from the 12-percent tax on trucks and trailers, and intercity, local and school buses are exempt from the taxes on tires, tubes, and tread rubber.[5] General exemptions are provided from these excise taxes for State and local governments and tax-exempt educational organizations. All exemptions (except gasohol) will terminate when the taxes expire on October 1, 1988.

EXPENDITURES PURPOSES

Highway related programs

The statutory provisions governing expenditures from the Highway Trust Fund were revised in the 1982 Act to provide that amounts in the Trust Fund are to be available through September 30, 1988, as provided in appropriation acts, for meeting obligations incurred which are authorized by law to be paid out of the Trust Fund under the Highway Revenue Act of 1956, under Title I or II of the Surface Transportation Assistance Act of 1982, or thereafter, amounts for a general purpose authorized under these Acts as of December 31, 1982. As a result, the Trust Fund expenditure purposes are quite broad and include funding for:

—Federal-aid highways, including the interstate system, primary and secondary systems, urban systems, forest and public lands highways, scenic highways, overseas highways, etc.;

—Interstate resurfacing and repair;

—Bridge replacement;

—Highway safety research and development;

—Highway-related safety grants;

—Traffic control demonstration grants;

—Traffic control signal demonstration projects;

—Intermodal urban demonstration projects and mass transit grants;

—Carpools and vanpools grants;

—National Highway Traffic Safety Administration for a share of traffic safety programs; and

—Certain administrative costs of FHWA and NHTSA.

Mass Transit Account

The 1982 Act established a new Mass Transit Account within the Highway Trust Fund, consisting of the revenue equivalent to 1 cent per gallon of the 9 cents per gallon tax on fuels and interest earnings on amounts in the account. Amounts are available through September 30, 1988, as provided in appropriation acts, for making capital expenditures under section 21(a)(2) of the Urban Mass Transportation Act of 1964 (including new projects).

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[4] Under the 1982 Act, the fuel tax exemption for qualified taxicabs was extended from December 31, 1982 to September 30, 1984, and certain taxicabs were made eligible for the exemption for 1983 only (e.g., taxicabs prevented by local law from offering ridesharing).

[5] These exemptions for buses were adopted in the Energy Act of 1978 (Public Law 95-618) and extended in the 1982 Act. As noted earlier, the taxes on inner tubes and tread rubber are repealed effective January 1, 1984.

Transfers to the Land and Water Conservation Fund and National Recreational Boating Safety and Facilities Improvement Fund

Revenues equivalent to the 9 cents per gallon tax on fuels used in motorboats are transferred to these two funds through fiscal year 1988: up to $45 million per year is to be transferred to the Boating Safety Fund so long as the fund balance does not exceed $45 million, with the balance to the Land and Water Conservation Fund. (See separate discussion of these funds in sections 5 and 6 following.)

MISCELLANEOUS

The Secretary of the Treasury is required to report to the Congress each year on the financial condition of the Trust Fund. In addition, a special report on alternative forms of the highway use tax is required from the Department of the Treasury by January 2, 1985. The latter report, entitled "Alternatives to the Tax on Use of Heavy Trucks" was received by the Congress on January 26, 1984.

The Committee on Public Works and Transportation has jurisdiction over the highway and mass transit spending programs.

The statutory provisions establishing the Trust Fund and governing its operations are located at section 9503 of the Internal Revenue Code.

FINANCIAL STATUS OF TRUST FUND

The following tables are based on the Department of Treasury's Twenty-Seventh Annual Report on the Highway Trust Fund, September 30, 1982, and the Budget of the U.S. Government for Fiscal Year 1985.

Table 2 shows the current status of the Fund. Table 3 illustrates for each fiscal year from 1957 through 1988 the Trust Fund balance compared with outstanding obligations and unpaid authorizations. Table 4 indicates the status of the new Mass Transit Account.

TABLE 2.—CURRENT STATUS OF HIGHWAY TRUST FUND

[In thousands of dollars]

	1983 actual	1984 estimate	1985 estimate
Unexpended balance brought forward:			
U.S. securities (par)	8,749,244	9,480,773	10,969,040
Cash	297,173	99,904	
Balance of fund at start of year	9,046,417	9,580,677	10,969,040
Cash income during the year: Governmental receipts:			
From excise taxes:			
Gasoline tax	6,189,283	8,944,000	9,219,000
Truck, bus and trailer taxes	338,403	721,000	1,057,000
Tire, innertube, and tread rubber taxes	615,871	310,000	200,000
Diesel fuel taxes	957,989	1,412,000	1,515,000
Lubricating oil taxes	28,064	3,000	
Use tax on certain vehicles	235,883	592,000	1,063,000
Truck parts and accessories tax	47,826	−14,000	
Transfers to national recreational boating safety and facilities improvement fund	−25,000	12,500	−12,500
Transfers to land and water conservation fund	−24,085	−56,500	−56,500
Refund of taxes	−67,574	−231,000	−222,000
Intrabudgetary transactions:			
Interest on investments	1,078,342	1,029,900	1,138,000
Miscellaneous interest	27		
Total annual income	9,375,028	12,697,900	13,901,000
(Mass transit account)	(519,059)	(1,151,000)	(1,168,000)
Cash outlays during the year:			
Federal Highway Administration appropriations:			
Federal-aid highways (liquidation of contract authorization)	8,718,244	10,906,000	12,985,000
Highway-related safety grants (liquidation of contract authorization)	13,018	11,318	12,115
Trust fund share of other highway programs: Appropriation	9,007	15,206	14,981
Highway safety research and development	5,733	9,193	10,681
Miscellaneous highway trust funds	7,962	4,828	3,937
Motor carrier safety grants		7,200	15,200
Right-of-way revolving fund (liquidation of contract authorization)	−47,480		

TABLE 2.—CURRENT STATUS OF HIGHWAY TRUST FUND—Continued

[In thousands of dollars]

	1983 actual	1984 estimate	1985 estimate
National Highway Traffic Safety Administration appropriations:			
Highway safety research and development	24,171	24,254	25,650
Liquidation of contract authorization	106,200	125,400	132,000
Urban Mass Transportation Administration: Liquidation of contract authorization	3,131	203,463	502,281
Other agencies:			
Highland Scenic Highway, USDA	53	32	
Cumberland Gap, NPS	728	2,643	
Total annual outlays	8,840,768	11,309,537	13,701,845
Unexpended balance carried forward:			
U.S. securities (par)	9,480,773	10,969,040	11,168,195
Cash	99,904		
Balance of fund at end of year	9,580,677	10,969,040	11,168,195
Commitment against unexpended balances:			
Appropriated but not expended:			
Appropriations	−86,229	−85,366	−68,702
Liquidation of contract authorization	−232,324	−955,881	−711,485
Committed to future liquidating cash appropriations:			
Outstanding obligated balanced of contract authority	−17,554,835	−20,298,166	−22,219,793
Unobligated balance of contract authority	−6,050,441	−6,651,837	−7,245,933
Total commitment against unexpended balances	−23,923,829	−27,991,250	−30,245,913
Uncommitted balance, end of year	−14,343,152	−17,022,210	−19,077,718

Source: Appendix to the U.S. Budget for fiscal year 1985.

TABLE 3.—STATUS OF HIGHWAY TRUST FUND, HIGHWAY ACCOUNT, ACTUAL FISCAL YEARS 1957–82, ESTIMATED FISCAL YEARS 1983–88

[In millions of dollars]

Fiscal year	Total receipts	Outlays—Authorizations, fiscal years 1957–88			Balance in the fund	Liability for—	
		Interstate	All other	Total		Unpaid obligations	Unpaid authorizations [1]
Actual:							
1957........	1,482	211	755	966	516	2,421	4,702
1958........	2,044	673	838	1,511	1,049	3,855	6,769
1959........	2,087	1,501	1,112	2,613	523	4,751	7,562
1960........	2,536	1,861	1,079	2,940	119	4,421	7,300
1961........	2,799	1,719	900	2,619	299	4,989	7,764
1962........	2,956	1,914	870	2,784	471	5,239	8,309
1963........	3,293	2,109	908	3,017	747	6,149	8,866
1964........	3,539	2,635	1,010	3,645	641	6,669	8,978
1965........	3,670	3,016	1,010	4,026	285	6,665	8,775
1966........	3,924	2,978	987	3,965	244	6,748	8,856
1967........	4,455	2,976	998	3,974	725	6,556	9,332
1968........	4,428	3,207	964	4,171	982	6,617	10,011
1969........	4,690	3,149	1,002	4,151	1,521	7,124	11,435
1970........	5,469	3,289	1,089	4,378	2,612	7,535	12,710
1971........	5,725	3,456	1,229	4,685	3,652	7,512	13,950
1972........	5,528	3,468	1,222	4,690	4,490	7,918	15,273
1973........	5,912	3,395	1,416	4,811	5,591	7,380	10,462
1974........	6,675	3,017	1,582	4,599	7,667	8,106	17,783
1975........	6,774	2,902	1,942	4,844	9,597	11,173	19,671
1976........	6,000	3,429	3,091	6,520	9,077	9,361	NA
TQ............	1,690	854	904	1,758	9,009	9,299	16,098
1977........	7,302	2,979	3,168	6,147	10,164	10,362	17,026
1978........	7,567	2,846	3,212	6,058	11,673	11,749	18,035
1979........	8,046	3,449	3,706	7,155	12,564	13,556	19,000
1980........	7,647	4,334	4,878	9,212	10,999	12,768	18,876
1981........	7,434	4,111	5,063	9,174	9,259	12,893	18,914
1982........	7,822	NA	NA	8,035	9,046	NA	NA
1983[2]	9,016	NA	NA	8,587	9,475	NA	NA
1984[2]	11,328	NA	NA	11,711	9,092	NA	NA
1985[2]	11,853	NA	NA	12,848	8,097	NA	NA
1986[2]	12,018	NA	NA	13,613	6,502	NA	NA
1987[2]	12,237	NA	NA	14,103	4,636	NA	NA
1988[2]	12,734	NA	NA	23,778	0	0	0

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[1] Fiscal 1977 and prior years noninterstate authorizations and all fiscal year authorizations for interstate construction and resurfacing are available for obligation in advance of the fiscal year for which authorized. Fiscal 1978 and subsequent noninterstate authorizations become available on October 1 of the fiscal year for which authorized.

[2] Estimated.

NA—Not available.

Note: The 26th Annual Report corrected errors in the historical figures for unpaid authorizations for the period 1971–1980.

Source: Twenty-seventh Annual Report on the Highway Trust Fund, Department of the Treasury, Sept. 30, 1982.

TABLE 4.—STATUS OF HIGHWAY TRUST FUND, MASS TRANSIT ACCOUNT, ESTIMATED 1983–88

[In millions of dollars]

	Receipts [1]			Outlays	Balance in the mass transit account
	Net excise taxes	Interest (net)	Total		
1983	$536	....	$536	$55	$481
1984	1,086	$51	1,137	242	1,376
1985	1,086	131	1,217	490	2,103
1986	1,096	187	1,282	737	2,648
1987	1,107	218	1,325	957	3,016
1988	[2] 1,160	[3] 469	1,629	1,748	2,897
Total	6,070	1,056	7,126	4,229	2,897

[1] Revenue estimates based on economic assumptions used to develop the President's fiscal year 1984 budget.

[2] Includes receipts of tax liabilities accrued prior to Oct. 1, 1988, but collected thereafter ($33 million).

[3] Includes interest to be earned in fiscal year 1989 ($239 million).

Source: Twenty-seventh Annual Report on the Financial Condition and Result of the Operations of the Highway Trust Fund, Sept. 30, 1982.

Section 4. Inland Waterways Trust Fund

Legislative History

The Inland Waterways Trust Fund was established in Title II of Public Law 95-502, the Inland Waterways Revenue Act of 1978, enacted on October 21, 1978. The purpose of the Act is to provide funding for making construction and rehabilitation expenditures for navigation on specified inland and intracoastal waterways.

Financing Mechanism

The 1978 Act imposed an excise tax (section 4042 of the Internal Revenue Code) effective October 1, 1980, on fuel used by vessels in commercial waterway transportation on those 26 inland and intracoastal waterways specified in section 206 of the Act. These waterways include the Mississippi River upstream from Baton Rouge, the Mississippi's tributaries, and the Gulf and Atlantic Intracoastal Waterways.

The tax rate was established at 4 cents per gallon for October 1, 1980, through September 30, 1981, with scheduled increases of 2 cents per gallon on October 1, 1981 (to 6 cents), October 1, 1983 (to 8 cents), and October 1, 1985 (to 10 cents). The tax does not apply to deep-draft ocean-going vessels, passenger or fishing vessels, or certain barges. The revenues from this tax are deposited into the Trust Fund.

Expenditure Purposes

Amounts in the Trust Fund are available as provided in appropriations acts, for construction and rehabilitation expenditures for navigation on the specified inland and intracoastal waterways.

Miscellaneous

The 1978 Act required an extensive study of inland waterways user taxes and charges by the Secretary of Transportation and the Secretary of Commerce, in consultation with a number of other agencies. Section 205 of the Act specified the issues to be considered in the study. These issues included: the extent to which the Federal Government should seek to recover its expenditures from users; the various forms of taxes or charges, methods for collecting, and coverage of users and waterways; the economic effects on carriers and users, regions, businesses, competitors, prices and so forth; the proper measurement of benefits to be assigned to users; the effects on development of the waterways. This study, which was to be submitted to Congress no later than September 30, 1981, along with the findings and recommendations of the Secretary of Transportation and various other agencies, was received in February 1982.

The Secretary of the Treasury is also required to submit an annual report to the Congress on the financial condition of the Trust Fund, beginning September 30, 1981. This annual report has not been received by the Congress.

The House Committee on Public Works and Transportation has jurisdiction over inland waterway authorizations.

The statutory provisions establishing the Inland Waterways Trust Fund and governing its operations are located at 33 U.S.C. 1801.

FINANCIAL STATUS OF THE TRUST FUND

The table below describes amounts in the Trust Fund that are available for appropriation.

AMOUNTS AVAILABLE FOR APPROPRIATION

[In thousands of dollars]

	1983 actual	1984 est.	1985 est.
Unappropriated balance, start of year	55,487	91,517	147,517
Receipts:			
Inland waterway fuel tax	28,846	39,000	46,000
Interest and profits on investments	7,183	12,000	16,000
Total available for appropriation	91,517	142,517	204,517
Unappropriated balance, end of year	91,517	142,517	204,517

Source: Appendix of the U.S. Budget for fiscal year 1985.

There have been no appropriations from the Trust Fund and no appropriation is requested for 1985.

Section 5. Land and Water Conservation Fund

LEGISLATIVE HISTORY

On September 3, 1964, the Congress enacted Public Law 88-578, which established the Land and Water Conservation Fund as a separate account in the Treasury, effective January 1, 1965. Minor amendments were made to the Fund in 1965 (Public Law 89-72).

In 1968, Public Law 90-401 eliminated the system of user fees for all Federal recreation areas that had been included previously in the law. The repeal was effective December 31, 1971.[1] The 1968 Act also added authorization for additional appropriations of such amounts as were necessary to make the income of the Fund not less than $200 million for each of the five fiscal years beginning July 1, 1968, and ending June 30, 1973. To the extent that appropriated sums were insufficient to reach the required amounts, an amount sufficient to cover the remainder was to be credited to the Fund from revenues due and payable to the United States for deposit in the Treasury as miscellaneous receipts under the Outer Continental Shelf Lands Act.

In 1970, Public Law 91-485 increased the authorized appropriations to not less than $300 million for fiscal years 1971 through June 30, 1989. As a result of amendments in 1976 and 1977, the amount for fiscal year 1978 was increased to $900 million (Public Law 94-422, Public Law 94-273 and Public Law 95-42).

In 1981, Public Law 96-451 provided for the transfer from the Land and Water Conservation Fund of an amount not to exceed $20 million per year for fiscal years 1981-1983 of revenues from motorboat fuel taxes to the National Recreational Boating Safety and Facilities Improvement Fund. The Highway Revenue Act of 1982 (Title V of the Surface Transportation Assistance Act of 1982, Public Law 97-424) increased this limitation on transfers of motorboat fuels taxes to the Boating Fund to $45 million through September 30, 1988. (See section 6 for discussion of the Boating Fund.) In 1981, Public Law 96-514 provided that revenues from recreation fee collections should be deposited into the Land and Water Conservation Fund.

FINANCING MECHANISM

16 U.S.C. 460*l*-5 provides that the following amounts will be deposited in the Land and Water Conservation Fund:

(1) All proceeds (except that committed under 40 U.S.C. 485 (b) and (c) or the Independent Offices Appropriation Act, 1963, or in any later appropriation act) received from any disposal of

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[1] A limited system of fees was later reinstated, and for several years these revenues generally were to be covered into a special account in the Treasury to be administered in conjunction with, but separately from, the Land and Water Conservation Fund.

surplus real property and related personal property under the Federal Property and Administrative Services Act of 1949, as amended, notwithstanding any provision of law that such proceeds shall be credited to miscellaneous receipts of the Treasury;

(2) Generally, the amounts equivalent to the 9 cents per gallon tax on gasoline and special fuels used as fuel in motorboats (amounts specified in section 9503(c)(4)(B) of the Internal Revenue Code of 1954); [2]

(3) In addition, there are authorized to be appropriated annually to the Fund such amounts as necessary to make the income of the Fund not less than $300 million for fiscal year 1977, and $900 million for fiscal year 1978 and for each fiscal year thereafter through September 30, 1989.

(4) To the extent that the appropriated sums are not sufficient to make the total annual income of the Fund equivalent to the amounts enumerated above, an amount sufficient to cover the remainder shall be credited to the Fund from revenues due and payable as miscellaneous receipts under the Outer Continental Shelf Lands Act (43 U.S.C. 1331 *et seq.*).

EXPENDITURE PURPOSES

16 U.S.C. 460*l*–4 provides that the land and water conservation provisions of section 460 are "to assist in preserving, developing, and assuring accessibility to all citizens of the United States of America of present and future generations and visitors who are lawfully present within the boundaries of the United States of America such quality and quantity of outdoor recreation resources as may be available and are necessary and desirable for individual active participation in such recreation and to strengthen the health and vitality of the citizens of the United States by (1) providing funds for and authorizing Federal assistance to the States in planning, acquisition, and development of needed land and water areas and facilities and (2) providing funds for the Federal acquisition and development of certain lands and other areas."

Moneys in the Fund are available for expenditures as provided in appropriation acts. Not less than 40 percent of annual appropriations are to be used for Federal purposes; these include activities and programs of the Bureau of Land Management, the Forest Service, the Fish and Wildlife Service and the National Park Service. The remainder of funds appropriated are for State purposes, and these funds are apportioned among the States on the basis of statutory formula and criteria.

MISCELLANEOUS

Jurisdiction over all the land and water conservation programs is within the Committee on Interior and Insular Affairs.

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[2] However, Public Law 96-451 provides for the transfer from the Land and Water Conservation Fund of up to $20 million per year for fiscal years 1981-1983 of motorboat fuel taxes to the National Recreational Boating Safety and Facilities Improvement Fund. Public Law 97-424 increased this amount to $45 million per year through fiscal year 1988.

No annual report is required on the Fund's financial condition or operations.

The statutory provisions establishing the Land and Water Conservation Fund and governing its operation are located at 16 U.S.C. 460(l).

FINANCIAL STATUS OF FUND

The following table contains data on the Fund's receipts for fiscal years 1983 (actual), 1984, and 1985, as well as the Fund's balance at the end of the fiscal years.

TABLE 1.—AMOUNTS AVAILABLE FOR APPROPRIATION

[In thousands of dollars]

	1983 actual	1984 est.	1985 est.
Unappropriated balance, start of year	1,837,640	2,402,547	3,046,657
Collections (offsetting receipts):			
Recreation fees	28,901	31,135	33,815
Proposed legislation			−33,815
Surplus property sales	187	242,311	220,157
Motorboat fuels tax	24,085	56,500	56,500
Outer Continental Shelf receipts	846,827	570,054	589,528
Proposed legislation			33,815
Total available for appropriation	2,737,640	3,302,547	3,946,657
Appropriation:			
Bureau of Land Management, land acquisition	−311	−1,391	
Fish and Wildlife Service, land acquisition	−35,200	−42,297	−57,500
National Park Service, land acquisition	−236,505	−173,650	−100,000
National Park Service, operation of the national park system			−71,600
National Park Service, construction			−78,275
Forest Service (Department of Agriculture), land acquisition	−63,077	−38,552	−9,635
Total appropriations	−335,093	−255,890	−317,010
Unappropriated balance, end of year	2,402,547	3,046,657	3,629,647
Special account (Public Law 95–42, section 1):			
Unappropriated balance, start of year	142,621	142,621	142,621
Total available for appropriation	142,621	142,621	142,621
Appropriation			
Unappropriated balance, end of year	142,621	142,621	142,621

Source: U.S. Budget Appendix, Fiscal Year 1985.

Section 6. National Recreation Boating Safety and Facilities Improvement Fund ("Biaggi" Fund)

LEGISLATIVE HISTORY

1980 Act

The National Recreational Boating Safety and Facilities Improvement Fund was enacted on October 14, 1980 (Public Law 96-451). Before this time, all funds attributable to the excise taxes on motorboat use of gasoline and other motor fuels were transferred periodically from the Highway Trust Fund into the Land and Water Conservation Fund. The 1980 Act provided financing for the Boating Fund for fiscal years 1981 through 1983.

1982 Act

The Highway Revenue Act of 1982 (Title V of the Surface Transportation Assistance Act of 1982; Public Law 97-424) extended the Boating Fund through fiscal year 1988, and increased the amounts to be transferred into the Fund. (See below.)

FINANCING MECHANISM

The Secretary of the Treasury is authorized to pay into the Boating Fund certain amounts attributable to the motorboat fuels taxes received on or after October 1, 1980, and before October 1, 1988. Before enactment of the Highway Revenue Act of 1982, the aggregate amount transferred to the Boating Fund during each fiscal year 1981-1983 (the length of the Fund under prior law) could not exceed $20 million. Also, no amount could be transferred if such transfer would result in increasing the amount in the Fund to a sum in excess of $20 million.

The Highway Revenue Act of 1982 increased to $45 million the limitation on fiscal year amounts which may be transferred into the Boating Fund and the maximum amount to be held by the Fund. The 1982 Act also extended the Fund through September 30, 1988. Any excess of motorboat fuels tax receipts will continue to be transferred into the Land and Water Conservation Fund (through September 30, 1988).

Fuels taxes are imposed under Internal Revenue Code sections 4041(b) and 4081. Generally, the taxes are 4 cents per gallon on gasoline and special motor fuels through March 31, 1983, when they will be increased to 9 cents per gallon under the 1982 Act. The taxes remain 9 cents per gallon through September 30, 1988, after which they expire.

EXPENDITURE PURPOSES

Before enactment of the Surface Transportation Assistance Act of 1982, amounts in the Boating Fund were available as provided in appropriation acts, for making expenditures after September 30, 1980, and before April 1, 1984, as provided in section 26 of the Federal Boat Safety Act of 1971 (46 U.S.C. 1476). The 1982 Act amended Public Law 96-451 to provide the Secretary of Transportation authority to contract with the States to implement and administer the national recreational boating safety and facilities improvement program. Under the 1982 Act, approval of specific elements of a State program is deemed a contractual obligation of the United States. Under section 26 of the Federal Boat Safety Act, the Secretary of Transportation may allocate and distribute amounts from the Fund to any State that has State recreational boating safety and facilities improvement program if that program meets certain standards and the State provides matching funds.

One-third of the funds available for allocation and distribution is to be allocated for recreational boating safety programs and two-thirds is to be allocated for recreational boating facilities improvement programs, beginning with fiscal year 1983.

Available Boating Fund amounts are allocated and distributed to the States under the recreational boating safety programs and the facility improvement programs as follows: ⅓ allocated equally among eligible States, ⅓ allocated among eligible States who maintain an approved State vessel numbering system according to number of vessels, and ⅓ allocated to eligible States according to the amount of State funds expended or obligated for State boating safety programs or boating facility improvement programs.

Under the 1980 Act, the Secretary of the Treasury, after consultation with the Secretary of Transportation (Department in which the Coast Guard is operating), is required to conduct a study to determine the portion of the taxes imposed by Internal Revenue Code sections 4041(b) and 4081 which is attributable to fuel used in recreational motorboats. The Secretary was to report the findings to the Congress no later than October 14, 1982. (However, the report had not been submitted before publication deadlines for this document.)

MISCELLANEOUS

Jurisdiction over expenditures from the Boating Fund is in the Committee on Merchant Marine and Fisheries.

The statutory language establishing the National Recreational Boating Safety and Facilities Improvement Fund and governing its operation are located at 46 U.S.C. 1479.

FINANCIAL STATUS OF FUND

The following table contains data on the Fund's receipts for fiscal years 1983 (actual), 1984, and 1985, as well as the Fund's balance at the end of the fiscal years.

TABLE 1.—AMOUNTS AVAILABLE FOR APPROPRIATION

[In thousands of dollars]

	1983 actual	1984 (estimate)	1985 (estimate)
Unappropriated balance, start of year	20,000	32,500	32,500
Collections (receipts): Recreational Boating Safety and Facilities Act of 1980 as amended: Motorboat fuels tax	25,000	12,500	12,500
Total available for appropriation	45,000	45,000	45,000
Appropriation	−12,500	−12,500	−14,750
Unappropriated balance, end of year	32,500	32,500	30,250
Status of unfunded contract authority:			
Unfunded balance, start of year			
Contract authority	45,000	45,000	45,000
Appropriation to liquidate contract authority	−7,500	−12,500	−14,750
Unfunded balance lapsing	−37,500	−32,500	−30,250
Unfunded balance, end of year			

Source: U.S. Budget Appendix, Fiscal Year 1985.

Section 7. Fish Restoration and Management Projects ("Dingell-Johnson" Fund)

LEGISLATIVE HISTORY

The Act of August 9, 1950 (commonly referred to as the Dingell-Johnson Act), provided for cooperation between the Federal Government and State fish and game departments. Although the Act did not establish a true trust fund, appropriations are linked to specific tax revenues. Limits are placed on State expenditures of federally-appropriated funds until the State has passed laws governing the conservation of fish and the State meets other requirements.

FINANCING MECHANISM

To carry out fish restoration and management projects, there is authorized to be appropriated an amount equal to the revenue accruing from the tax imposed by Internal Revenue Code section 4161 on fishing rods, creels, reels, and artificial lures, baits, and flies. Section 4161 imposes an excise tax of 10 percent of the price for which these items are sold at the manufacturers level. The appropriation for any fiscal year continues to be available for the succeeding fiscal year. If the amount apportioned to any State is unexpended or unobligated at the end of the period for which it is available, this amount is then authorized to be made available for expenditure by the Secretary of the Interior on the research program of the Fish and Wildlife Service.

EXPENDITURE PURPOSES

Any State which wishes to receive any of these appropriations must submit to the Secretary of the Interior a program or project for fish restoration. The State can choose to prepare and submit a comprehensive fish and wildlife resource management plan which would last at least 5 years. In the alternative, the State may have its State fish and wildlife department submit full and detailed statements of any fish restoration and management projects proposed for that State. If the Secretary of the Interior finds that either State plan meets the standards set by him and approves the project, up to 75 percent of the total cost can be funded through these appropriations.

Up to 8 percent of each annual appropriation is available to the Secretary of the Interior for his expenses in the conduct of necessary investigations, administration, and the execution of these provisions and for aiding in the formulation, adoption, or administration of any compact between two or more States for the conservation and management of migratory fishes in marine or fresh waters.

The remainder of the appropriation is required to be apportioned as follows:

1. 40 percent in the ratio which the area of each State, including coastal and Great Lakes waters, bears to the total area of all the States.
2. 60 percent in the ratio which the number of persons holding licenses to fish for sport or recreation in the State in the second fiscal year preceding the fiscal year for which the apportionment is made bears to the number of such persons in all the States.

No State is to receive less than 1 percent nor more than 5 percent of the total amount apportioned. Puerto Rico, Guam, American Samoa, the Commonwealth of the Northern Mariana Islands, and the Virgin Islands can also be appropriated limited amounts of these revenues.

MISCELLANEOUS

Statutory language providing the permanent authorization and related matters is located at 16 U.S.C. 777 and following.

The Committee on Merchant Marine and Fisheries has jurisdiction over expenditures for fish restoration and management projects.

Section 8. Wildlife Restoration Projects ("Pittman-Robertson" Fund)

LEGISLATIVE HISTORY

The Act of September 2, 1937, provided for cooperation between the Federal Government and the States regarding wildlife restoration projects. The 1939 Reorganization Plan No. II, section 4(f), transferred the functions of the Secretary of Agriculture relating to the conservation of wildlife game and migratory birds to the Secretary of the Interior.

The 1937 Act provided that amounts equivalent to excise taxes on sporting arms and ammunition would be deposited into the Federal Aid to Wildlife Restoration Fund.

The Federal Aid in Wildlife Restoration Act Amendments of 1970 (Title I of Public Law 91-503), added provisions for the deposit of the amounts equivalent to excise taxes on pistols and revolvers into the Fund beginning in fiscal year 1971. Public Law 92-558 added provisions for the deposit of amounts equivalent to the excise taxes on bows and arrows and their parts and accessories into the Fund beginning with fiscal year 1975.

FINANCING MECHANISM

To carry out wildlife restoration projects, there is authorized to be appropriated an amount equal to all revenues accruing from any tax imposed by Internal Revenue Code section 4161(b) on bows, arrows, and parts and accessories and section 4181 on pistols, revolvers, other firearms, shells, and cartridges. Section 4161 imposes an excise tax of 11 percent of the price for which bows with a draw weight of 10 pounds or more; arrows that measure 18 inches overall or more in length; and parts, accessories, or quivers suitable for use with taxable bows are sold by a manufacturer, producer, or importer. Section 4181 imposes a similar tax of 10 percent upon the sale of pistols and revolvers and 11 percent on other firearms, shells, and cartridges. Section 4182 provides exemptions for certain machine guns and short barrelled firearms (on which a transfer tax has been paid under section 5811) and sales to the Defense Department.

EXPENDITURE PURPOSES

Any State which wishes to receive any of these appropriations must assent to the provisions of Chapter 5B of U.S. Code Title 16 and enact laws for the conservation of wildlife including a prohibition against the diversion of license fees paid by hunters for any purpose other than the administration of the State fish and game department. The Secretary of the Interior and the State fish and game department must agree upon the wildlife restoration projects to be aided in the State. The project must conform to the standards fixed by the Secretary of the Interior.

A wildlife restoration project is defined to include the selection, restoration, rehabilitation, and improvement of areas of land or water adaptable as feeding, resting, or breeding places for wildlife, including acquisition by purchase, condemnation, lease or gift of such areas or estates or interests therein as are suitable or capable of being made suitable therefor, and the construction thereon or therein of such works as may be necessary to make them available for such purposes. The term includes also such research into problems of wildlife management as may be necessary to efficient administration affecting wildlife resources.

The authorized revenues are made available until expended. Amounts not spent by a State within two fiscal years are made available for expenditure by the Secretary of the Interior to carry out the provisions of the Migratory Bird Conservation Act (16 U.S.C. 715).

Up to 8 percent of the available funds are required to be apportioned as the Secretary of the Interior estimates necessary to administer the Migratory Bird Conservation Act. The remainder of the revenue (except as provided in the following paragraph) is apportioned among the States in the following manner: one-half in the ratio which the area of each State bears to the total area of all the States, and one-half in the ratio which the number of paid hunting-license holders of each State (2 years earlier) bears to the total number of paid license holders of all the States. No State is to receive less than one-half of 1 percent or more than 5 percent of the total amount apportioned.

One-half of the revenues from the tax imposed on pistols, revolvers, bows, and arrows is to be apportioned among the States in proportion to the ratio that the population of each State bears to the population of all the States. Each State is to be apportioned between 1 and 3 percent of the revenue under this population apportionment.

Puerto Rico, Guam, the Commonwealth of the Northern Mariana Islands, and the Virgin Islands can also be appropriated limited amounts of these revenues.

MISCELLANEOUS

Statutory language providing the permanent authorization and related matters is located at 16 U.S.C. 669 and following.

The Committee on Merchant Marine and Fisheries has jurisdiction over expenditures for wildlife restoration projects.

Section 9. Reforestation Trust Fund

LEGISLATIVE HISTORY

In 1980, the Congress enacted Title III of Public Law 96-451 which provided for the amortization of certain reforestation expenses and established the Reforestation Trust Fund.

In 1982, provisions were enacted as part of the Surface Transportation Assistance Act of 1982 (H.R. 6211, P.L. 97-424) directing the Secretary of Agriculture to expend all amounts in the Trust Fund during fiscal years 1983, 1984, and 1985, and directing that the Secretary spend not less than $104 million in fiscal year 1983. Amounts remaining in the Trust Fund as of October 1, 1985, are to be distributed to the States for use in State forestry programs no later than April 30, 1986.

FINANCING MECHANISM

Funds for the Reforestation Trust Fund are derived from import duties on plywood and lumber. The Secretary of the Treasury is required to transfer receipts from these tariffs to the Trust Fund in maximum amounts of $30 million for each fiscal year during the six-year period from October 1, 1979, through September 30, 1985. Under the 1982 amendments, amounts available in the Fund on October 1, 1985, are to be distributed to the States, as noted above.

EXPENDITURE PURPOSES

Funds are to be used to supplement congressional appropriations for reforestation and timber stock improvement on publicly owned national forests, in order to eliminate and prevent a backlog in reforestation of the National Forest system.

For each of the five fiscal years from fiscal year 1981 through fiscal year 1985, appropriations have been authorized from the Trust Fund to the Secretary of Agriculture to pay estimated necessary direct costs and properly allocable administrative costs for reforestation and related programs (under section 3(d)(2)) of the Forest Rangeland Resources Planning Act of 1974 (16 U.S.C. 1601(d)(2)), but only to the extent these estimated costs exceed amounts appropriated out of the general fund for these purposes.

MISCELLANEOUS

After consulting with the Secretary of Agriculture, the Secretary of the Treasury must submit annual reports to the Congress setting forth the financial condition and operating results of the Reforestation Trust Fund for the preceding fiscal year and the expected condition and results of the Trust Fund for the next year.

The statutory language establishing the Reforestation Trust Fund and governing its operations are located at 16 U.S.C. 1606(a).

FINANCIAL STATUS OF FUND

Thirty million dollars was transferred to the Trust Fund in fiscal years 1980 and 1981 and in fiscal year 1982, $37.8 million was transferred to the Fund.

At the beginning of fiscal year 1983, the Trust Fund had an unappropriated balance of $106 million. Table 1 shows the status of the Fund.

TABLE 1.—REFORESTATION TRUST FUND—AMOUNTS AVAILABLE FOR APPROPRIATION

[In thousands of dollars]

	1983 actual	1984 est.	1985 est.
Unappropriated balance, start of year	106,439		
Revenue	43,588	34,180	31,615
Total available for appropriation	150,027	34,180	31,615
Appropriation: Reforestation Trust Fund	150,027	34,180	31,615
Unappropriated balance, end of year			

Section 10. Superfunds

(A) Hazardous Substance Response Trust Fund

LEGISLATIVE HISTORY

The Hazardous Substance Response Trust Fund was enacted in Title II, Subtitle B, the Comprehensive Environmental Response, Compensation, and Liability Act of 1980 on December 11, 1980 (Public Law 96-510).

FINANCING MECHANISM

The 1980 Act appropriates, out of any money in the Treasury not otherwise appropriated, to the Response Trust Fund amounts determined by the Secretary of the Treasury to be equivalent to the excise taxes received in the Treasury under Internal Revenue Code sections 4611 and 4661, the amounts recovered on behalf of the Response Trust Fund under the Act, all moneys recovered or collected under section 311(b)(6)(B) of the Clean Water Act, penalties assessed under Title I of the 1980 Act, and punitive damages under section 107(c)(8) of the 1980 Act.

Internal Revenue Code section 4611 imposes a tax of 0.79 cent a barrel on crude oil used in, exported from, or imported into the United States. The tax does not apply to any use of crude oil for extracting oil or natural gas on the premises where the crude oil was produced. Internal Revenue Code section 4661 imposes a tax on any taxable chemical sold by a manufacturer, producer, or importer. The tax rate is determined in accordance with Table 1:

TABLE 1.—TAX RATES ON CHEMICALS

Chemical	Tax per ton
Acetylene	$4.87
Benzene	4.87
Butane	4.87
Butylene	4.87
Butadiene	4.87
Ethylene	4.87
Methane	3.44
Naphthalene	4.87
Propylene	4.87
Toluene	4.87
Xylene	4.87
Ammonia	2.64
Antimony	4.45
Antimony trioxide	3.75

TABLE 1.—TAX RATES ON CHEMICALS—Continued

Chemical	Tax per ton
Arsenic	$4.45
Arsenic trioxide	3.41
Barium sulfide	2.30
Bromine	4.45
Cadmium	4.45
Chlorine	2.70
Chromium	4.45
Chromite	1.52
Potassium dichromate	1.69
Sodium dichromate	1.87
Cobalt	4.45
Cupric sulfate	1.87
Cupric oxide	3.59
Cuprous oxide	3.97
Hydrochloric acid	.29
Hydrogen fluoride	4.23
Lead oxide	4.14
Mercury	4.45
Nickel	4.45
Phosphorus	4.45
Stannous chloride	2.85
Stannic chloride	2.12
Zinc chloride	2.22
Zinc sulfate	1.90
Potassium hydroxide	.22
Sodium hydroxide	.28
Sulfuric acid	.26
Nitric acid	.24

These taxes apply from April 1, 1981, through September 30, 1985. However, if on September 30, 1983, or September 30, 1984, the unobligated balance in the Hazardous Substance Response Trust Fund as of that date exceeds $900 million and the Secretary of the Treasury (after consultation with the Administrator of the Environmental Protection Agency) determines that the unobligated balance will exceed $500 million on September 30 of the following year if no more excise taxes are collected under Internal Revenue section 4611 or 4661 during the following calendar year, then no tax shall be imposed during the following year. Further, the authority to collect these taxes will terminate when cumulative receipts reach $1.38 billion.

The Act authorizes to be appropriated to the Response Trust Fund, $44 million in each fiscal year from 1981 through 1985. The Act also authorizes an appropriation in 1985 of an amount equal to so much of the aggregate amount authorized and not appropriated in the earlier fiscal years.

The Act provides for the transfer to the Response Trust Fund of one-half of the unobligated balance remaining on December 10, 1980, under the Fund in section 311 of the Clean Water Act and the amounts appropriated under section 504(b) of the Clean Water Act during any fiscal year.

The Act also authorizes to be appropriated to the Response Trust Fund, as repayable advances, such sums as may be necessary to carry out the purposes of the Fund. Advances are not to exceed amounts which the Secretary of the Treasury estimates will be received by the Fund in the following 12 months. No advance is to be made after September 30, 1985, and all previous advances are to be repaid before that time.

EXPENDITURE PURPOSES

The Act establishes a comprehensive system of notification, emergency response, enforcement, and liability for hazardous substance spills and uncontrolled hazardous waste dumpsites. The program is designed to provide a broad based cleanup effort.

Amounts in the Response Trust Fund are available in connection with releases or threats of releases of hazardous substances into the environment only for purposes of making expenditures which are described in the Act as in effect on December 11, 1980, including response costs; claims asserted and compensable but unsatisfied under section 311 of the Clean Water Act; claims for injury to, or destruction or loss of, natural resources; and related costs described in the Act.

At least 85 percent of the amounts appropriated to the Response Trust Fund equivalent to the taxes under Internal Revenue Code section 4611 or 4661 (and through the additional authorized amounts for each fiscal year) are to be reserved for payment of governmental response costs pursuant to the Act, including costs incurred pursuant to the Intervention on the High Seas Act, payment of any claim for necessary response costs incurred by any other person as a result of carrying out the national contingency plan established under the Clean Water Act as amended by the 1980 Act and approved under the plan and certified by the responsible Federal official, payment of costs specified under Act section 111(c), and for the repayment of certain advances made under the Act.

MISCELLANEOUS

The statutory language establishing the Hazardous Substance Response Trust Fund and governing its operation are located at 42 U.S.C. 9631 et seq.

FINANCIAL STATUS OF FUND

TABLE 2.—HAZARDOUS SUBSTANCE RESPONSE TRUST FUND—AMOUNTS AVAILABLE FOR APPROPRIATION

[In thousands of dollars]

	1983 actual	1984 est.	1985 est.
Unappropriated balance, start of year	229,050	350,609	244,609
Receipts:			
Interest	60,978	40,000	31,000
Fines and recoveries	356	6,000	46,000
Transfers from the general fund, amounts equivalent to taxes	230,225	264,000	276,000
Appropriations from the general fund	40,000	44,000	44,000
Total available for appropriation	560,609	704,609	641,609
Appropriations:			
Hazardous Substance Response Trust Fund:			
Appropriation	−210,000	−410,000	−640,000
Proposed Supplemental		−50,000	
Unappropriated balance, end of year	350,609	244,609	1,609

Source: U.S. Budget Appendix, Fiscal Year 1985.

(B) Post-closure Liability Trust Fund

LEGISLATIVE HISTORY

The Post-closure Liability Trust Fund was enacted in Title II, Subtitle C, the Comprehensive Environmental Response, Compensation, and Liability Act of 1980 on December 11, 1980 (Public Law 96–510).

FINANCING MECHANISM

The Fund consists of "such amounts as may be appropriated, credited, or transferred to" the Trust Fund.

The Comprehensive Environmental Response, Compensation, and Liability Act imposed an excise tax on the receipt of hazardous waste at a qualified hazardous waste disposal facility. Under Internal Revenue Code section 4681, the tax imposed on the owner or operator of the qualified hazardous waste disposal facility is $2.13 per dry weight ton of hazardous waste. The tax applies to the receipt of hazardous waste after September 30, 1983, except that if, as of September 30 of any subsequent calendar year, the unobligated balance of the Post-closure Liability Trust Fund exceeds $200 million, no tax shall be imposed under section 4681 during the following year.

EXPENDITURE PURPOSES

Amounts in the Post-closure Liability Trust Fund are to be available only for the purposes described in the 1980 Act as in effect on

December 11, 1980. Under the Act, the liability of the owner or operator of a hazardous waste disposal facility which has received a permit under subtitle C of the Solid Waste Disposal Act shall be transferred to the Fund when (1) the owner and operator of the facility has complied with the requirements under subtitle C of the Solid Waste Disposal Act and regulations thereunder which may affect the performance of such facility after closure, and (2) the facility has been closed in accordance with the regulations and the conditions of the permit, and the facility has been monitored as required by the regulations and permit for a period not to exceed 5 years after closure to demonstrate that there is no substantial likelihood that any migration offsite or release from confinement of any hazardous substance or other risk to public health or welfare will occur. The transfer of liability is to be effective 90 days after the owner or operator of the facility notifies the Administrator of the Environmental Protection Agency (and the State if it has an authorized program) that the required conditions have been satisfied. If all the requirements are not met or if insufficient information has been provided, the Administrator or State representative notifies the owner and operator who continues to be liable until the Administrator and State determine that the facility has complied with the liability transfer requirements under this Act. The Fund also may be used to pay the cost of monitoring and care and maintenance of a site incurred by other persons after the period of monitoring required by regulations under subtitle C of the Solid Waste Disposal Act for hazardous waste disposal facilities meeting the transfer conditions described above.

The Act also provides that the President is to use the money in the Post-closure Liability Fund for the following purposes (with respect to a hazardous waste disposal facility for which liability has been transferred to the Fund under the Act):

(1) payment of certain governmental response costs, including costs incurred pursuant to the Intervention on the High Seas Act;

(2) payment of any claim for necessary response costs incurred by any other person as a result of carrying out the national contingency plan established under the Clean Water Act and amended by the 1980 Act provided, however, that such costs must be approved under the plan and certified by the responsible Federal official;

(3) payment of any claim authorized under Act section 111(b) and finally decided pursuant to Act section 112 (claims procedure); and

(4) payment of costs specified under Act section 111(c) (list of types of costs covered).

MISCELLANEOUS

The statutory provisions establishing the Post-closure Liability Trust Fund and governing its operation are located at 42 U.S.C. 9641.

FINANCIAL STATUS OF FUND

TABLE 3.—POST-CLOSURE LIABILITY TRUST FUND—AMOUNTS AVAILABLE FOR APPROPRIATIONS

[In thousands of dollars]

	1983 actual	1984 est.	1985 est.
Unappropriated balance, start of year			33,600
Receipts:			
Interest and profits on investments		1,600	4,600
Transfer from the general fund, amounts equivalent to taxes		32,000	33,800
Total, available for appropriation		33,600	72,000
Appropriation: Post-closure liability trust fund			
Unappropriated balance, end of year		33,600	72,000

Source: U.S. Budget Appendix, Fiscal Year 1985.

No appropriation request is being made for this Trust Fund in 1985. There will not be any hazardous waste sites eligible for liability coverage under the Fund for several years.

Section 11. Deep Seabed Revenue Sharing Trust Fund

LEGISLATIVE HISTORY

The Deep Seabed Revenue Sharing Trust Fund was established in 1979 by Title IX of the Deep Seabed Hard Mineral Resources Act (Public Law 96-223). The purpose of the Trust Fund is to accelerate the program of environmental assessment of exploration for and commercial recovery of hard mineral resources of the deep seabed and assure that such exploration and recovery activities are conducted in a manner which will encourage the conservation of such resources, protect the quality of the environment, and promote the safety of life and property at sea. An additional purpose is to encourage continued development of deep seabed mining technology.

FINANCING MECHANISM

The Deep Seabed Revenue Sharing Trust Fund is funded by amounts determined by the Secretary of the Treasury to be equivalent to the amount of the excise taxes received in the Treasury under the Deep Seabed Hard Mineral Removal Tax Act of 1979. The excise tax, imposed under Internal Revenue Code section 4495, is 3.75 percent of the "imputed value" of hard mineral resources removed from the deep seabed.[1] The tax became effective on January 1, 1980, and terminates after the earlier of the date on which an international deep seabed treaty takes effect with respect to the United States or on June 29, 1990.

A mining company can elect to have the application of the excise tax suspended with respect to one or more commercially recoverable metals or minerals contained in the nodules removed from the deep seabed if the mining company does not intend to process, use commercially, or sell that metal or mineral within one year after the date of extraction. If a mining company elects to suspend the tax on a mineral and later processes, uses, or sells that mineral, then the mining company is liable for the excise tax and interest on the deferred amount. The interest is to be paid into the Trust Fund and will be treated like other amounts in the Trust Fund. If the additional tax is paid after substantial disposition of Trust Fund assets by Congress, the additional tax is to be disposed of in a manner provided in the legislation making the substantial disposition or in subsequent acts.

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[1] The "imputed value" is equal to 20 percent of the fair market value of the commercially recoverable metals and minerals in such resource. Thus, the effective tax rate is 0.75 percent of the fair market value of the resource.

EXPENDITURES PURPOSES

Appropriations have been authorized from the Trust Fund for making contributions which may be required pursuant to an international deep seabed treaty which may become effective with respect to the United States on or before June 28, 1990. Trust Fund amounts may be appropriated for making contributions required under such a treaty for the purpose of sharing the revenue from deep seabed mining among nations of the world.

In the event that an international deep seabed treaty does not become effective with respect to the United States on or before June 28, 1990, amounts in the Trust Fund will be available for such purposes as Congress may provide by law. Thus, if an international deep seabed treaty is not in effect with respect to the United States prior to June 29, 1990, amounts in the Trust Fund will be disposed of only in accordance with an act of Congress.

MISCELLANEOUS

The Secretary of the Treasury is required to submit an annual report to the Congress with respect to the Deep Seabed Revenue Sharing Trust Fund beginning with the fiscal year ending September 30, 1980.

The Statutory provisions establishing the Deep Seabed Revenue Sharing Trust Fund and governing its operation are located at 30 U.S.C. 1472.

FINANCIAL STATUS OF FUND

Since no treaty is yet in effect, there have been no appropriations from the Fund. No revenues are expected from the excise tax until the late 1980's. At that time it is estimated that the tax will raise a maximum of $5 million in annual net revenues (gross revenue less income tax lost because of deductibility of the tax).

Section 12. Tax Court Judges Survivors Annuity Fund

LEGISLATIVE HISTORY

The Tax Court Judges Survivors Annuity Fund was enacted in Public Law 87–370 on October 4, 1961. Amendments which increase the annuity amounts payable from the Fund were enacted in Public Law 97–362 (H.R. 4717) on October 25, 1982. Internal Revenue Code section 7448 provides the statutory basis for the annuities to surviving spouses and dependent children of Tax Court judges.

FINANCING MECHANISM

Any judge of the United States Tax Court may by written election while a judge (or before a successor takes office) participate in the Fund. There is deducted and withheld from the salary of each judge electing to participate 3 percent of that judge's salary. The amounts deducted and withheld are deposited, in accordance with procedures prescribed by the Comptroller General of the United States, in the U.S. Treasury to the credit of the Tax Court Judges Survivors Annuity Fund. A judge may deposit, with interest at 4 percent per annum to December 31, 1947, and 3 percent per annum thereafter, compounded on December 31 of each year, to the credit of the Fund, a sum equal to 3 percent of the judge's salary and of that individual's basic salary, pay, or compensation for service as a Senator, Representative, Delegate, or Resident Commissioner in Congress, and for any other civilian service within the purview of 5 U.S.C. 8332. Each judge may elect to make the deposits in installments during continuance of service as a judge in such amount and under such conditions as may be determined in each instance by the chief judge of the Tax Court.

Notwithstanding the failure of a judge to make the deposit, credit is allowed for the service rendered, but the annuity of the surviving spouse of the judge is reduced by an amount equal to 10 percent of the amount of the deposit, computed as of the date of the death of the judge (unless the surviving spouse elects not to count the service, for which the deposit was not made, in determining the annuity due). No deposit is required from a judge for any year with respect to which deductions from salary were actually made under the civil service retirement laws. Also, no deposit is required for any honorable service in the Army, Navy, Air Force, Marine Corps, or Coast Guard of the United States.

EXPENDITURE PURPOSES

The Fund is used to pay annuities to a deceased judge's surviving spouse and children.

If a judge who elects to participate in the Fund dies after having rendered at least 5 years of civilian service for which salary was withheld for the Fund (or for which salary was withheld under the civil service retirement laws), a surviving spouse or surviving dependent child is entitled to an annuity from the Fund. If the surviving spouse has not attained age 50 at the date of the judge's death (and no dependent child survives), the annuity commences when the surviving spouse reaches age 50. The annuity payable to a surviving spouse terminates upon the surviving spouse's death or remarriage. An annuity payable to a dependent child and to a surviving spouse, if the judge is also survived by a dependent child, begins immediately after the judge's death. The annuity for a dependent child terminates generally upon the surviving child's reaching 18 years of age, marriage, or death. If the child is incapable of self support because of mental or physical disability, the annuity would terminate only upon death, marriage, or recovery from the disability.

The annuity payable to a surviving spouse of a judge electing under the Fund is equal to a stated percentage (generally 1¼ percent) of the average annual salary received by the judge (whether the judge's salary or compensation for other allowable Federal service) for the 5 consecutive years in which the judge received the largest average annual salary, multiplied by the sum of years of judicial or other allowable Federal service. The annuity for the surviving spouse cannot exceed 37½ percent of the average annual salary of the judge. The annuity of the surviving spouse will be reduced to account for periods of time when the judge did not contribute to the Fund. The amount of the annuity payable to a surviving dependent is based upon the annuity payable to a surviving spouse (subject to certain limits).

Under the 1982 amendments, annuities payable with respect to judges dying after the date of enactment are increased by (1) basing the annuity on the judges' salary for the 3 (versus 5) consecutive years in which the judges received the largest average annual salary, and (2) increasing the maximum annuity to 40 percent (versus 37½ percent) of such average annual salary. These amendments also provide that survivor annuities will be adjusted for cost-of-living increases by increasing such annuities by 3 percent for each 5 percent by which the salary of Tax Court judges is increased. Annuities in pay status on the date of enactment are adjusted immediately to reflect post-1963 salary increases.

MISCELLANEOUS

The statutory provisions governing this Fund are located at Internal Revenue Code section 7448.

FINANCIAL STATUS OF FUND

As of September 30, 1983, 16 judges of the Tax Court were participating in the Fund, and 3 eligible widows were receiving survivor annuities. Table 1 describes the present status of the Fund.

TABLE 1.—TAX COURT JUDGES SURVIVORS ANNUITY FUND—PROGRAM AND FINANCING

[In thousands of dollars]

	1983 actual	1984 est.	1985 est.
Total obligations	59	68	42
Financing:			
Unobligated balance available, start of year:			
Treasury balance	−7	−33	−5
U.S. securities (par)	−987	−1,101	−1,302
Unobligated balance available, end of year:			
Treasury balance	33	5	5
U.S. securities (par)	1,101	1,302	1,501
Budget authority (appropriation)	199	241	241
Net obligations	59	68	42
Outlays	59	68	42

Section 13. Railroad Retirement System

The railroad retirement system is a federally legislated program which provides retirement, disability and survivor annuities to workers whose employment was connected with the railroad industry for at least 10 years. The system, in existence since 1937, was substantially modified by the Railroad Retirement Act of 1974 (RRA), which provided for closer coordination with the social security system. Credits are primarily secured by employment in the railroad industry, although any social security credits earned during employees' work careers are included in the benefit computation. Benefits are financed through a combination of employee, employer, and Federal Government contributions.

Retirement and survivor benefit payments during fiscal year 1983 totaled $6,041 million. These payments were made to 1,056,000 beneficiaries. Retired employee and spouse annuitants constituted 715,000 of these beneficiaries and received $4,354 million. Survivor beneficiaries received a total of $1,687 million, consisting of $1,676 million in monthly benefits and $11 million in lump-sum payments.

JURISDICTION

In the House of Representatives, the jurisdiction over the railroad retirement system is divided between two standing committees. Under the rules of the House, the Energy and Commerce Committee has jurisdiction over "railroads, including railroad labor, railroad retirement and unemployment, except revenue measures related thereto." That committee therefore has jurisdiction over the Railroad Retirement Act, which contains the substantive legislation relating to railroad retirement legislation. The Committee on Ways and Means has jurisdiction over all revenue measures, including the Railroad Retirement Tax Act (Chapter 22 of the Internal Revenue Code of 1954). Within the Committee on Ways and Means jurisdiction over employment taxes and trust fund operations relating to the railroad retirement system lies within the Subcommittee on Social Security.

RECENT LEGISLATION

In 1981 Congress took action (Public Laws 97-34 and 97-35) designed to insure the financial solvency of the railroad retirement system until 1990. These changes included both benefit reductions and tax increases.

The Committee on Ways and Means included in the Economic Recovery Tax Act (Public Law 97-34) payroll tax rate increases for both employers and employees and a limited authority to borrow against the financial interchange with social security. The Committee on Energy and Commerce also included this borrowing authority, benefit changes, and a "benefit preservation mechanism" in the 1981 Reconciliation Act (sec. 1126(b), Public Law 97-35).

Under this mechanism, as in effect prior to the passage of Public Law 98-76, the Railroad Retirement Board (RRB) must report to Congress and the President on or before April 1 of any fiscal year in which the Board determines that it would borrow 50 percent or more of the amount available under the borrowing authority. This report must include, among other things, an estimate of the first year in which the borrowing authority would be exhausted and benefits would have to be reduced in the absence of "funding adjustments."

A further requirement of this benefit preservation mechanism is that within 180 days of the submission of this report, the Board must issue regulations and publish them in the Federal Register. The regulations must provide for reducing benefits to the extent necessary so that payments would not exceed the funds available. The regulations are also to provide that non-Social Security benefits (tier II) are to be reduced first. The reductions would apply beginning with the first month of the fiscal year designated in the report as being the first fiscal year during which insufficient funds would preclude the payment of full benefits for the full year.

On February 18, 1983, the RRB issued the first report required under section 22. That report indicated that in the absence of corrective action, fiscal year 1984 would be the first year in which insufficient funds would preclude the payment of full benefits to all beneficiaries throughout the year. The report further indicated that rail employment had decreased faster than had been estimated prior to passage of the 1981 amendments, decreasing from 505,000 in 1981 to 440,000 in 1982. The regulations required to be promulgated were published in the Federal Register on July 7, 1983. If they had been implemented, these regulations would have provided for a reduction of approximately 40 percent in tier II benefits, effective October 1, 1983.

In order to avoid the benefit reduction which would have been required as a result of the benefit preservation mechanism, Congress enacted the Railroad Solvency Act of 1983 (Public Law 98-76).

A summary of those railroad retirement provisions included in Public Law 98-76 which were reported by the Committee on Ways and Means include the following:

(1) Provide three equal tax rate increases for both employer (1 percent) and employees (0.75 percent), effective on January 1, 1984, January 1, 1985, and January 1, 1986.

(2) Apply railroad retirement tier I and II taxes to an annual amount equal to 12 times the current applicable monthly wage base. (Effective on January 1, 1985.)

(3) Tax windfall benefits as a private pension and deposit proceeds to the Railroad Retirement Account until fiscal year 1989. Beginning in fiscal year 1989, the proceeds from the tax will be deposited in the Windfall Benefits Account. (Effective with benefits received on or after January 1, 1984.)

(4) Tax tier II benefits as a private pension and return proceeds to the Railroad Retirement Account until the earlier of fiscal year 1989; or the amount of revenue transferred under this provision equals $877 million. Beginning in fiscal year

1989 the proceeds from the tax would be deposited in the general fund. (Effective with benefits received on or after January 1, 1984.)

(5) Accelerate the employer payroll tax deposit schedule, to conform to the FICA deposit schedule. (Effective on January 1, 1984.)

(6) Create a "Social Security Equivalent Benefit Account" and deposit in the account all "social security equivalent" revenues. Pay all social security equivalent benefits out of the account. (Effective on October 1, 1984.)

(7) Provide that on July 1, 1985, and each subsequent July 1, the Railroad Retirement Board shall submit to the Congress a report on the actuarial status of the railroad retirement system and make any recommendation for financing changes that might be advisable, including adjustments in the level of tier II tax rates and the feasibility of diverting part of the employer portion of those rates to the Railroad Unemployment Insurance Account to aid in repayment of its debt to the Railroad Retirement Account.

BENEFIT STRUCTURE

The 1974 Railroad Retirement Act established three benefit components. The ongoing benefit system was divided into two "tiers," one of which roughly approximates social security (tier I), and the other, an industry staff retirement benefit (tier II). The third component preserved certain benefits for employees who had qualified for both railroad retirement and social security benefits prior to the 1974 act.[1]

Tier I

These benefits are based on the social security formula, using both the employee's combined railroad earnings and non-railroad social security covered earnings up to the social security maximum wage base. The tier I benefit is roughly equal to what the social security benefit would have been had the worker's railroad employment been covered by the social security program. Because the railroad retirement tier I benefit is based on both social security and railroad employment, any social security benefit to which the railroad retirement system beneficiary is also entitled is subtracted from the tier I benefit amount. Tier I benefits are adjusted for the cost-of-living by the same percentage as social security benefits.

Tier II

Tier II benefits are based on the employee's service in the railroad industry alone and are payable in addition to the tier I benefit amount. For new retirees, the tier II benefit is equal to seven-tenths of 1 percent of the employee's average monthly earnings in the 60 months of highest earnings, times the total number of years of railroad service, less 25 percent of any employee dual benefit windfall also payable. Effective in 1985, tier II benefits are automatically adjusted annually on January 1 at a rate equal to 32.5 percent of the social security automatic cost-of-living adjustment.

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[1] In addition to the payment of benefits, expenditures from the Railroad Retirement Account can also be made in the form of loans to the Railroad Unemployment Insurance Account. However, the authority of the Railroad Unemployment Insurance Account to borrow from the Rail-road Account expires on October 1, 1985. At the end of fiscal year 1983 the debt to the retirement account equalled $575 million; having increased from $286 million at the end of fiscal year 1982.

Beginning with January 1984, the dollar amount of the next 5 percent of tier I cost-of-living increases will be subtracted from tier II benefits. Since the 1984 increase will be 3.5 percent, a further tier II offset will be made in 1985 so that the total offset is 5 percent of the 1983 tier I amount.

Dual benefit payments

One of the chief purposes of the Railroad Retirement Act of 1974 was to coordinate railroad retirement and social security benefit payments to eliminate certain dual benefits considered to be a "windfall" for persons receiving benefits under both systems.

This "windfall" was a result of the fact that the total benefit which these retirees received from both systems was higher than the benefit which they would have received if their benefit was based on their total career earnings but paid under only railroad retirement. The total benefit was higher in these cases since the social security benefit formula favors workers who have low average earnings throughout their careers. Low career average earnings result from a career of low wages or from a relatively short career in social security covered employment. Workers who spend a period of time in employment not covered by social security, such as railroad employment, receive the benefit of this "tilt" in the benefit formula, even though they may very well not have had low career earnings.

As a result of the 1974 Act, "windfall" benefits were eliminated for any employees not qualified for such benefits as of January 1, 1975. They were generally preserved for those individuals who were vested under both the railroad retirement and social security systems before 1975. These "windfall" benefits are financed out of the general revenue fund through an annual appropriation rather than from the social security or railroad retirement trust funds.

The costs of these payments, which were intended to be funded solely out of U.S. general revenues, has proven to be substantially more than the amount which was estimated at the time the 1974 act was passed, and substantially more than the funds that have been appropriated annually. The following table details the amount estimated to be necessary to pay windfall benefits, the amount which has been requested and the amount actually appropriated.

This resulted in an unanticipated expense to the railroad retirement account since the full windfall benefit paid from the retirement account was only partially offset through appropriated general revenue. (See "general revenue" below for further information.)

TABLE 1.—COMPARISON OF RAILROAD RETIREMENT BOARD ESTIMATES AND APPROPRIATIONS

[Dollar amounts in millions]

	Board estimates [1]	Requested appropriations	Actual appropriations
Fiscal year:			
1976	$250	$250	$250
1977	350	250	250
1978	356	250	250
1979	363	313	313
1980	363	313	313
1981	529	350	350
1982	440	350	390
1983	430	350	430
1984	420	350	420
1985	405	405	405

[1] For fiscal years 1976 through 1981, the amount shown in this column is the Railroad Retirement Board's revised annual estimate of the amount needed each year, on a level basis, from the year of the estimate to the year 2000, to cover expected benefit costs. For fiscal year 1982 and later, the amount shown is the amount estimated necessary to pay benefits for that year.

Source: Railroad Retirement Board.

Supplemental annuities

These are provided under the 1974 Act equal to $23 for 25 years of service plus $4 for each additional year up to a maximum of $43 per month. However, as a result of the 1981 Omnibus Budget Reconciliation Act, employees hired after October 1, 1981 are not eligible for supplemental annuities when they retire.

Lump sum death benefits

These benefits are paid when there is no person eligible for a monthly survivor benefit in the month in which the worker died. Generally, 10 years of railroad service and a current connection with the railroad industry are required. For employees with 10 or more years of railroad service before 1975, the amount is based on the 1937 Act. For all other railroad workers, the amount is equivalent to that which would be paid under the Social Security Act (unless survivor benefits are paid).

Table 2 provides data concerning all railroad retirement benefits currently being paid. Table 3 presents data on new awards for November 1983.

TABLE 2.—NUMBER AND AVERAGE AMOUNT OF RETIREMENT AND SURVIVOR ANNUITIES IN CURRENT-PAYMENT STATUS AT END OF YEAR FOR SELECTED YEARS BY TYPE OF ANNUITANT

Fiscal year	Total	Type of beneficiary								
		Retired employees			Spouses	Aged widows	Disabled widows	Widowed mothers	Children	Parents
		Age	Disability	Supplemental						
Number at end of year:										
1971	1,067,121	348,737	95,364	81,611	212,075	278,741	2,972	8,076	39,096	449
1975	1,160,312	359,826	101,677	141,525	219,644	290,502	5,108	7,061	34,670	299
1977	1,201,059	364,402	99,672	169,257	230,758	292,653	6,206	6,298	31,566	243
1979	1,204,719	358,629	96,818	182,736	233,611	292,073	6,770	5,406	28,478	198
1980	1,203,006	355,983	95,218	188,111	233,916	290,315	6,999	4,985	27,288	189
1981	1,202,364	354,608	93,743	193,436	233,977	288,606	7,249	4,478	26,094	(1)
1982	1,200,427	352,609	92,146	197,885	237,839	286,193	7,376	4,053	22,172	158
1983	1,193,226	349,892	89,684	201,409	232,367	282,703	7,421	3,079	20,614	144
Average amount:										
1971		$201	$186	$65	$95	$114	$115	$158	$112	$110
1975		329	309	62	153	233	200	234	206	187
1977		387	355	57	178	267	228	275	248	223
1979		461	419	54	210	314	265	336	300	273
1980		526	477	53	236	361	302	392	349	310
1981		579	525	52	251	401	331	442	393	(1)
1982		641	576	51	280	430	354	475	399	368
1983		663	593	50	287	436	356	478	394	367

[1] Not available.

Note.—Data exclude survivor (option) annuities. On September 30, 1980, there were 259 option annuities in current-payment status averaging $98. Figures for widows include a small number of widowers.

Source: Railroad Retirement Board.

TABLE 3.—NUMBER AND AVERAGE AMOUNT OF NEW AWARDS BY BENEFICIARY TYPE, NOVEMBER 1983

	Number	Average award (monthly)
Employee annuities:		
Retired	1,344	$801
Disability (under age 65)	359	832
Supplemental	1,356	42
Spouse annuities	1,465	281
Survivor benefits:		
Aged widows and widowers	1,532	511
Disabled widows and widowers	27	365
Widowed mothers and fathers	41	447
Children	119	424
Parents	2	472
Insurance lump sums	742	807
Residual payments	28	4,179
Total	4,889	

Note.—Includes divorced spouse and divorced and remarried widows annuities.

Source: Railroad Retirement Board.

FINANCING THE RAILROAD RETIREMENT SYSTEM

The railroad retirement and survivors benefits are financed by six sources of income. These are (1) payroll taxes on railroad earnings paid by covered employees and employers up to a certain maximum wage base; (2) income from the social security financial interchange; (3) the proceeds derived from the taxation of railroad retirement benefits; (4) appropriations from general revenues; (5) interest on investments; and (6) a cents-per-hour tax levied on carriers only.

Payroll Taxes

The primary source of income to the railroad retirement account is payroll taxes levied on covered employers and their employees. Currently, both employers and employees pay a "tier I" tax which is equivalent to the social security tax rate. In addition, a "tier II" tax is paid by both rail employers and employees. These taxes are currently applied to compensation paid to employees, up to a maximum amount, in a calendar month. However, effective January 1, 1985, railroad retirement taxes will be applied to annual rather than monthly wage bases. The 1984 monthly tier I and tier II wage bases are $3,150 and $2,350 respectively.

The scheduled tax rate for both tier I and tier II are as follows:

	Tier I		Tier II		Combined	
	Employer	Employee	Employer	Employee	Employer	Employee
1984	7.00	[1] 7.00	12.75	2.75	19.75	9.75
1985	7.05	7.05	13.75	3.50	20.80	10.55
1986	7.15	7.15	14.75	4.25	21.90	11.40
1987	7.15	7.15	14.75	4.25	21.90	11.40
1988	7.51	7.51	14.75	4.25	22.26	11.76
1989	7.51	7.51	14.75	4.25	22.26	11.76
1990	7.65	7.65	14.75	4.25	22.40	11.90

[1] A credit of 0.3 percent of wages will be allowed against the 1984 employee tax rate. Appropriation to the Social Security Equivalent Benefit Account will be based on the 7.00 percent rate.

The tier I wage base is generally identical with the social security wage law and automatically increases with wage growth in the economy. The tier I wage base is estimated by the Railroad Retirement Board to be as follows:

1985	39,900
1986	41,700
1987	44,100
1988	46,800
1989	50,100

The tier II wage base is equal to what the social security tax rate would have been without regard to the ad hoc increases in the taxable wage base which were provided by the Social Security Amendments of 1977 (Public Law 95–215). The tier II wage base is estimated by the Railroad Retirement Board to be as follows:

1985	30,000
1986	31,200
1987	33,000
1988	34,800
1989	37,200

Financial Interchange

The railroad retirement system and the social security programs have been coordinated financially since 1951. The purpose of the financial interchange is to place the social security trust funds in the same position they would have been in if railroad employment had been covered under social security since its inception.

TABLE 4.—AMOUNTS TRANSFERRED TO OR FROM (−) THE RAILROAD RETIREMENT ACCOUNT AND THE VARIOUS SOCIAL SECURITY TRUST FUNDS FOR FISCAL YEARS 1954 THROUGH 1985

[In millions of dollars]

	OASI	DI	HI	Total
Fiscal year:				
Through June 30, 1954	−21.1			−21.1
1955	−7.4			−7.4
1956	−5.2			−5.2
1957	−1.6			−1.6
1958	124.4			124.4
1959	282.0	−22.0		260.0
1960	318.4	−4.9		313.5
1961	331.7	5.1		336.8
1962	360.8	11.0		371.8
1963	422.5	19.6		442.1
1964	402.6	19.1		421.7
1965	435.6	23.6		459.2
1966	443.8	25.0		468.8
1967	508.0	30.6	−16.3	522.3
1968	437.6	20.4	−44.0	414.0
1969	491.5	21.3	−54.2	458.6
1970	578.8	10.4	−63.5	525.7
1971	613.0	13.2	−65.9	560.3
1972	724.3	24.2	−66.1	682.4
1973	783.0	19.5	−63.2	739.3
1974	908.6	22.3	−99.2	831.7
1975	981.8	28.5	−132.5	877.8
1976	1,212.3	26.4	−137.7	1,101.0
1977 [1]	1,207.8	−0.3	−142.9	1,064.6
1978	1,588.7	29.8	−213.7	1,404.8
1979	1,447.5	29.9	−191.1	1,286.3
1980	1,442.0	−12.1	−244.3	1,185.6
1981	1,585.0	29.0	−276.0	1,338.0
1982	1,793.3	26.4	−351.4	1,468.3
1983 [2]	2,251.0	28.0	−358.0	1,921.0
1984 [2]	2,390.0	79.0	−344.0	2,125.0
1985 [2]	2,403.0	114.0	−342.0	2,175.0
Total	26,433.3	587.1	−3,206.6	23,813.8

[1] Includes July–September 1976 transition quarter.

[2] Projections from the 1983 Old Age and Survivors and Disability and Hospital Insurance Trustee's Reports—Intermediate II–B Assumptions.

Source: Railroad Retirement Board.

Generally, under the interchange, for a given fiscal year there is computed the revenue that would have been collected by the social security trust funds if railroad employment had been covered directly by social security. This amount is netted against the amount of benefits social security would have paid to railroad beneficiaries based on railroad and nonrailroad earnings during that period. Where social security benefits that would have been paid exceed income to the trust funds that would have been due, the excess, plus an allowance for interest and administrative expenses, is transferred from the social security trust funds to the Railroad Retirement Account. If income exceeds benefits, the transfer would be from the Railroad Retirement Account to the social security trust funds.

The determination of the amount to be transferred through the financial interchange for a given fiscal year is made no later than June of the year following the close of the preceding fiscal year. Table 4 shows the actual operation of the financial interchange as it relates to each of the three major social security trust funds.

In order to make available to the railroad retirement account funds from the forthcoming financial interchange on a more current basis, the Railroad Retirement Solvency Act of 1983 provides for transfers from general Treasury funds to the Railroad Retirement Account for each month an amount equal to the social security level benefits paid from the account during the month less the social security level taxes received by the account in that month. The amount so transferred for a particular month would be repaid when the social security system makes reimbursement for that month under the financial interchange program.

TAXATION OF BENEFITS

Prior to 1984, railroad retirement benefits, with the exception of supplemental annuities, were not subject to Federal income taxation. However, as a result of the Railroad Retirement Solvency Act (Public Law 98-76) and the Social Security Act Amendments of 1983 (Public Law 98-21), all tier I, tier II, and windfall benefits received after December 31, 1983, are subject to taxation.

Tier I benefits are taxed in a manner identical to social security benefits. The proceeds derived from the taxation of those tier I benefits which are equivalent to social security benefits will be deposited in the newly created Social Security Equivalent Benefit Account and credited to the social security trust funds through adjustments in the financial interchange. The revenue raised through the taxation of tier I benefits which are not equivalent to social security benefits are deposited in the Railroad Retirement Account. Tier II benefits are taxed in a manner identical to private pensions and the proceeds deposited in the Railroad Retirement Account until fiscal year 1989 or until the amount of revenue transferred under this provision equals $877 million, if earlier. Windfall benefits are taxed as a private pension with the proceeds derived deposited in the Dual Benefits Payments Account.

General revenue appropriations

Windfall benefits are funded solely through general revenue appropriations. The Congress authorized such funding in the 1974 act through the year 2000. The total appropriated for the first 9 fiscal years for which windfall benefits were payable, 1976-1984, was $2,966 million. (See table 1 for the annual appropriation amounts.)

The Omnibus Budget Reconciliation Act of 1981 (Public Law 97-35) established a Dual Benefits Payments Account. Each year an amount which is appropriated for the payment of dual benefits will be placed into this account from which these payments will be made to beneficiaries. If the amount which is appropriated is insufficient to pay the full windfall benefits to all eligible beneficiaries for a full year, the Railroad Retirement Board is authorized to prorate payments from the dual benefits account so that the amounts paid do not exceed the amounts appropriated.

In addition to amounts transferred to the Dual Benefits Payments Account annually through the regular appropriations process, the Railroad Retirement Solvency Act of 1983 provided for the appropriation of approximately $1.7 billion to the Railroad Retirement Account in three installments paid on July 1, 1984, 1985, and 1986.

Interest from investments

Funds not needed immediately for benefit payments are invested in interest-bearing securities. During fiscal year 1983 the Railroad Retirement Account received $106 million in interest income from its invested assets. This represents an annualized yield of 11.03 percent. The annualized yield for the first quarter of fiscal year 1984 was 11.36 percent.

Cents-per-hour tax

A cents-per-hour tax is used to fund the supplemental annuity benefit. This tax is levied solely on employers. The rate is determined quarterly by the Railroad Retirement Board.

FINANCIAL STATUS OF THE RAILROAD RETIREMENT ACCOUNT

One of the most important factors affecting the financial status of the railroad retirement system is the level of employment in the industry. The recent history of industry employment follows:

TABLE 5.—HISTORIC LEVELS OF INDUSTRY EMPLOYMENT, 1940–83

[In thousands]

1940	1,195
1945	1,085
1950	1,421
1955	1,239
1960	909
1965	753
1970	640
1975	548
1976	540
1977	546
1978	542
1979	554
1980	532
1981	503
1982	438
1983	398

Source: Railroad Retirement Board.

The Railroad Retirement Board has recently analyzed the railroad retirement system's ability to pay benefits based on two different projected levels of railroad employment and the projected wage bases detailed above. The higher assumption represents the Chief Actuary of the Railroad Retirement Board's current best estimate. The lower assumption is deliberately pessimistic and represents a test of the account's ability to pay benefits if a sharper drop in employment takes place than is presently anticipated.

The assumptions, and the resulting December 31 fund balances, are shown in the following table. The employment assumptions are in thousands and the fund balances are in millions. The fund balances represent the combined balances of the separate Retirement and Social Security Equivalent Benefit Accounts.

Calendar year	Assumption I	Assumption II	Fund balance	
			Assumption I	Assumption II
1984	385	380	$2,073	$2,037
1985	370	360	2,988	2,883
1986	360	340	4,204	3,975
1987	350	330	4,662	4,290
1988	345	320	4,854	4,293
1989	340	310	5,004	4,199

These results indicate that the 1983 legislation provides the Railroad Retirement Account with sufficient funds for the payment of benefits through 1989, even under a pessimistic employment assumption used by the Railroad Retirement Board.

Section 14. Railroad Unemployment Compensation System

The railroad unemployment compensation (RRUC) system has been in existence since 1938. Railroad workers were initially covered by the unemployment provisions of the Social Security Act of 1935. The Railroad Unemployment Insurance Act (Public Law 75-722) was passed in 1938 to provide a uniform unemployment insurance system for all railroad workers, regardless of the State in which they worked or lived. This was done largely because of administrative problems at that time in handling claims for railroad workers who earned wages in a number of different States and as a result of the railroad unions' desire that individuals throughout the industry be treated the same for purposes of unemployment compensation.

BENEFITS AND ELIGIBILITY REQUIREMENTS

A worker must have at least $1,500 of creditable, railroad earnings in the base year to qualify for RRUC benefits. In addition, if the worker has not worked in the railroad industry previously, he must have railroad earnings in at least 5 months of the base year. (The base year is the calender year before the beginning of the benefit year which begins on July 1 for all claimants.) The first $600 of railroad earnings in each month are creditable toward the qualifying earnings requirement. Up to $775 per month in the base year is creditable toward the maximum benefit.

An unemployed worker who meets the qualifying requirements can receive RRUC benefits for each "day of unemployment." An individual, however, cannot receive benefits for more than 10 days of unemployment in any 2-week period. In order to receive a daily benefit, a worker must be able to work and be available for railroad work. He must also register for work at the railroad employment office.

A qualified, unemployed railroad worker may receive a daily unemployment compensation benefit equal to 60 percent of his last daily rate of pay in the base year, up to a maximum of $25. The minimum daily benefit is $12.70. The equivalent weekly RRUC benefit ranges from $63.50 to a maximum of $125 (5 times the $25 daily payment). The weekly maximum has been $125 since 1976.

The nominal average weekly benefit amount has grown in spurts from $8 in 1940 to $125 in 1983. The average weekly benefit amount in constant 1982 dollars, however, declined by 37 percent, from a peak of $191 in 1975 to $125 in 1982. Moreover, the 1982 level was lower than the constant dollar level as long ago as 1958 when it was $138.

The program offers "normal" benefits and three categories of "extended" benefits. The duration of benefits varies by worker. Qualified workers can receive normal benefits for up to 130 days or

26 weeks, but the total may not exceed their creditable wages in the base year. Three groups of workers may get extended benefits:

(1) Workers with at least 15 years of railroad service may get up to 130 additional days, or up to an additional 26 weeks of benefits beyond the normal 26 weeks;

(2) Workers with at least 10 but fewer than 15 years of railroad service may receive up to 65 additional days or 13 additional weeks; and

(3) Under Public Law 98-181, a supplemental appropriations bill, workers with fewer than 10 years of service could receive 50 additional days or 10 additional weeks of benefits through June 30, 1984. Unlike the other payroll financed RRUC benefits, the Federal general fund finances the extended benefits for workers with fewer than 10 years of service.

TABLE 1.—PERMANENT BENEFITS UNDER THE RAILROAD UNEMPLOYMENT COMPENSATION PROGRAM AS OF JUNE 30, 1983

Qualifying wages	$1,000.
Daily benefit rate:	
Basic rate	60 percent of daily rate of pay.
Maximum	$25.00.
Minimum guarantee	$12.70.
Maximum normal benefits:	
For a 1-week period	$125.00.
For benefit year:	
Duration	130 compensable days.
Amount	$3,250.[1]
Maximum extended benefits:[2]	
10–14 years' service:	
Duration	65 compensable days.
Amount	$1,625.
15 or more years' service:	
Duration	130 compensable days.
Amount	$3,250.

[1] Not to exceed the employee's taxable earnings in the base year counting earnings up to $775 a month.

[2] Public Law 98-181 provides temporary supplemental benefits for up to 10 additional weeks through June 30, 1984 for workers with less than 10 years of service.

Source: U.S. Railroad Retirement Board. Handbook on Railroad Retirement and Unemployment Insurance Systems. January 1982. p. V-6, (processed).

The average duration of benefits fluctuates closely with the unemployment rate. From 1940 to 1983, it ranged from 7.4 to 18 weeks and averaged 11.6.

In 1946, a program of cash sickness benefits was established for railroad workers as part of the unemployment compensation system. Sickness benefits are financed out of the same employer paid payroll taxes used to finance unemployment compensation benefits. A qualified railroad worker may receive sickness benefits if he files a "statement of sickness" signed by a doctor within 10 days of the first day for which a day of sickness is claimed.

A rail worker who is unemployed due to a strike legally authorized under the Railway Labor Act of 1926 can receive unemployment compensation benefits after a 14 day waiting period. Unemployment benefits cannot be paid to individuals participating in a strike that is in violation of the Railway Labor Act, and is therefore "illegal." Individuals who are unemployed due to an "illegal" strike, but who are not actually participating in the strike, are eligible for unemployment compensation benefits but are subject to the 14 day waiting period.

Total expenditures for unemployment and sickness payments reached $433 million in 1983 which was 3.5 percent of total wages paid by the industry that year. This compares to a peak of 5.2 percent in 1959. The 2.8 percent of total wages paid out in 1982 closely resembles the figures from previous recessions, such as 2.6 percent in 1950 and 1954, 2.2 percent in 1957, and 2.5 percent in 1976. Since the beginning of sickness benefits, unemployment benefits have composed about two-thirds of total payments. Benefit payments for unemployment alone in 1983 was roughly 3.2 percent of total wages.

Benefit payments vary directly with the insured unemployment rate, covered employment, average weekly benefit amount, and average duration of benefits. The insured unemployment rate is the percentage of workers covered under the RRUC program who are drawing benefits at a particular point in time. The railroad insured unemployment rate has been high and volatile since the beginning of the RRUC program, averaging 17 percent. Since 1946 it has ranged from a relatively high 7 percent to an astronomical 38 percent.

Changes in covered employment have short-run and long-run effects on the RRUC program. In the short run, when layoffs cause employment to decline, the insured unemployment rate and benefits paid increase. In the long run, when employers have fewer workers to layoff, benefits decline and the program shrinks. Since the peak of 1,680,000 workers in 1945, railroad employment declined to 398,000 in 1983. The decline has recently proceeded, however, at a lower rate. Two-thirds of this decline occurred in the 16 years between 1945 and 1961. In the 22 years since then, the remaining one-third of the decline occurred. In other words, the average annual rate of decline before 1961 was 53,000, but after 1961 it was 19,000.

TAXES

The railroad unemployment and sickness benefit program is financed by payroll taxes paid by railroad employers. The employees themselves do not contribute. Effective January 1, 1984, the taxable earnings base is the first $600 of each employee's monthly earnings.

The payroll tax rate is determined from a schedule in the Railroad Unemployment Insurance Act and may vary from 0.5 percent to 8 percent. This method of financing is, in effect, an experience rating plan on an industrywide basis. For any particular calendar year, the tax rate depends on the balance in the Railroad Unemployment Insurance Account, including the balance in the Railroad

Unemployment Insurance Administration Fund, on the preceding September 30, as shown in the following schedule:

Balance to credit of Railroad Unemployment Insurance Account on September 30	Rate for next calendar year (percent)
$300,000,000 or more	0.5
$200,000,000 or more but less than $300,000,000	4.0
$100,000,000 or more but less than $200,000,000	5.5
$50,000,000 or more but less than $100,000,000	7.0
Less than $50,000,000	8.0

Railroad unemployment taxes are collected by the Railroad Retirement Board. Of each year's tax receipts, an amount equal to 0.5 percent of taxable payroll is set aside for administration. As a result, annual appropriations by Congress for administration of the unemployment and sickness program are not required. Excess funds allocated but not needed for administration are transferred to the Railroad Unemployment Insurance Account at the end of such fiscal year.

The Railroad Unemployment Insurance and Railroad Administration Accounts are part of the Federal Unemployment Trust Fund. This trust fund has 53 State UC program accounts, 4 Federal accounts, and the 2 railroad accounts.

Despite occasional increases in the tax rates and taxable wage base, taxes and reserves have not covered RRUC unemployment and sickness benefit payments in 19 of the last 24 years. The tax rate on taxable wages increased to 8 percent in 1977 and 1978; dropped to 7.0 percent in 1979 and to 5.5 percent in 1980; and rose to 8.0 percent in 1981 through 1983. This monthly taxable wage base was increased from $300 to $350 in 1954, to $400 in 1959 and to $600 in 1984. As a result, the taxable wage base in constant 1982 dollars had declined dramatically. The monthly taxable wage base would have been approximately $2,000 in 1982 if Congress had maintained the real value of the $300 taxable wage base in effect in 1940. In other words, the industry has taxed progressively less of total annual wages paid. The ratio of taxable wages to total wages had declined from 99 percent in 1940 to only 19 percent in 1982.

Since 1959, the railroad unemployment trust fund has been able to borrow funds from the railroad pension fund when employer taxes have not been sufficient to cover the costs of unemployment and sickness benefits. This borrowing authority expires September 30, 1985. In the past, borrowed funds have been repaid. The RRUC program became insolvent for the first time in 1960 after a long decline from peak reserves of nearly 18 percent of total annual wages in 1949. By 1963, it owed the retirement account $312 million, or 5.8 percent of total annual wages paid in the industry that year. The program gradually recovered during the 1960s until it had positive reserves again in 1974. Thereafter, the program became insolvent again in 1976 through 1978, and 1981 through 1983.

A rapid decline in 1981 and 1982 in railroad employment has resulted in substantial borrowing from the pension system. By December 31, 1983, the RRUC program owed the railroad pension system $635 million. This is about 5 percent of total wages projected to be paid in the industry that year. Between January 1, 1984 and September 30, 1985, an estimated additional $340 million will have to be borrowed by the RRUC system. In other words, it is projected that the RRUC program will owe the retirement account approximately $1 billion by the end of fiscal year 1985.

Prior to the passage of the Railroad Retirement Solvency Act of 1983 (Public Law 98-76), there were no specific requirements or procedures for the repayment of funds the RRUC system borrowed from the rail pension system. In general, loans have been repaid whenever, and to the extent, RRUC program tax receipts in a year exceeded that year's benefit, administration and debt service costs.

Public Law 98-76 established, as part of the Federal Unemployment Tax Act (FUTA), a railroad unemployment repayment tax. This repayment tax will operate similarly to the FUTA tax that is paid by non-railroad industries in States with overdue Federal unemployment loans. Beginning on July 1, 1986, rail employers will pay a tax of 2.0 percent on the first $7,000 in annual wages paid to each employee. This tax will increase by 0.3 percent on each subsequent January 1, up to a maximum 5.0 percent, until all outstanding loans (principal and interest) from the rail pension system have been repaid. The tax will expire on October 30, 1990. Revenue raised by this repayment tax can be used only for the repayment of loans the RRUC program has received from the pension system.

RAILROAD UNEMPLOYMENT COMPENSATION COMMITTEE

Public Law 98-76 established a Railroad Unemployment Compensation Committee for the purpose of reviewing and making timely recommendations to Congress concerning (1) alternative measures that address the current insolvency of the RRUC program and (2) specific adjustments in contributions and benefits that will assure the repayment of funds that the RRUC program has borrowed from the rail pension fund by the end of the year 2000.

The membership of this Committee will be agreed to and jointly appointed by railroad labor and railroad management. It must consist of five members: two labor representatives, two management representatives, and one public member who must not be in the employment of or pecuniarily or otherwise interested in any railroad employer or any organization of railroad employees.

The RRUC Committee is directed to review all aspects of the railroad unemployment and sickness insurance program including, but not limited to, benefit levels, experience rating, debt repayment and interest on debt, waiting period for unemployment benefits and qualifying requirements, and alternatives to the RRUC program such as covering railroad employees under the Federal/State unemployment compensation system.

The RRUC Committee must submit a report to Congress no later than April 1, 1984, containing recommendations based on its review of the current program. This report must contain recommended adjustments in contributions and benefits which will enable the RRUC program to repay all loans from the Railroad Retirement Account before December 31, 2000. Should the RRUC Committee fail to provide Congress with an acceptable procedure for the repayment of all outstanding loans from the retirement account, the Committee will report legislation making changes in RRUC taxes and recommending changes in RRUC benefits that will provide for the repayment of all loans by the end of the year 2000.

PART 3

REVENUES

Section 1. Summary Information
Section 2. Bibliographic Information

Section 1. Summary Information

This part provides summary information regarding Federal revenues and the U.S. tax system. Most, but not all, budget receipts are derived from taxes. Table 1 shows budget receipts, by source, for recent years. Table 2 indicates the relative significance of the major types of receipts. Over recent years the relative significance of corporate income taxes has declined; individual income taxes and social insurance taxes and contributions have increased as a share of the total.

Table 3 provides information on the number of tax returns, by type filed in 1981, 1982, and 1983. The gross amount of taxes collected exceeds net collections by the amount of refunds. As indicated in table 4, individual income tax refunds in 1983 were 14 percent of gross collections.

The sources of income reported on individual income tax returns for 1981 and 1982 are listed in table 5 along with additional summary information. About 95 million individual income tax returns were filed for the 1982 taxable year. The number of exemptions listed on these returns, 231 million, approximately equaled the U.S. population, though the extra exemptions for those over 65, certain students, and the blind result in the double counting of certain individuals in arriving at the total number of exemptions claimed. Wages and salaries represented about 84 percent of reported adjusted gross income. Tax liabilities represented 15 percent of adjusted gross income.

About 35 percent of all taxpayers itemized their deductions on individual income tax returns for 1982 (see table 6 for a comparison with prior years). These deductions, by type, are shown in table 7. Statutory adjustments used in calculating tax liabilities for 1982 are shown in table 8. Information on tax credits claimed by individuals as they filed their 1981 returns is shown in table 9.

The distribution of tax liabilities and income by adjusted gross income class, based on information contained on 1982 tax returns, is displayed in table 10.

The most recently published information for corporate income tax returns is summarized in table 11. Of the nearly 2.7 million returns filed by active corporations for taxable year 1980, 59 percent had net income. Only 36 percent of active corporations had a tax liability, after accounting for tax credits and carryover losses. Slightly fewer than 1 million corporations paid total taxes of $63.0 billion.

TABLE 1.—BUDGET RECEIPTS BY SOURCE, 1975–83

[In billions of dollars]

Description	1975	1977	1979	1981	1983
RECEIPTS BY SOURCE					
Individual income taxes	122.4	157.6	217.8	285.9	288.9
Corporation income taxes	40.6	54.9	65.7	61.1	37.0
Social insurance taxes and contributions:					
Employment taxes and contributions	75.2	92.2	120.1	163.0	185.8
Unemployment insurance	6.8	11.3	15.4	15.8	18.8
Other retirement contributions	2.6	3.0	3.5	4.0	4.4
Total social insurance taxes and contributions	84.5	106.5	138.9	182.7	209.0
Excise taxes:					
Alcohol	5.2	5.3	5.5	5.6	5.6
Tobacco	2.3	2.4	2.5	2.6	4.1
Highway	6.2	6.7	7.2	6.3	8.3
Airport and airway	1.0	1.2	1.5	(1)	2.2
Windfall profit tax				23.2	13.0
Other	1.8	2.0	2.0	3.1	2.1
Total excise taxes	16.6	17.5	18.7	40.8	35.3
Estate and gift taxes	4.6	7.3	5.4	6.8	6.1
Customs duties	3.7	5.2	7.4	8.1	8.7
Miscellaneous receipts	6.7	6.5	9.3	13.8	15.6
Total budget receipts	279.1	355.6	463.3	599.3	600.6

[1] $50 million or less.

Source: The United States Budget in Brief, Fiscal Year 1985, Executive Office of the President, Office of Management and Budget, p. 70.

TABLE 2.—BUDGET RECEIPTS BY SOURCE, 1975 AND 1983

	1975		1983	
	Amount (billions)	Percent of total	Amount (billions)	Percent of total
Individual income taxes	122.4	43.9	288.9	48.1
Corporation income taxes	40.6	14.5	37.0	6.2
Total social insurance taxes and contributions	84.5	30.3	209.0	34.8
Total excise taxes	16.6	5.9	35.3	5.9
Estate and gift taxes	4.6	1.6	6.1	1.0
Custom duties	3.7	1.3	8.7	1.4
Miscellaneous receipts	6.7	2.4	15.6	2.6
Total budget receipts	279.1	100	600.6	100

Source: The United States Budget in Brief, Fiscal Year 1985, Executive Office of the President, Office of Management and Budget, p. 70.

TABLE 3.—NUMBER OF RETURNS FILED, BY PRINCIPAL TYPE OF RETURN

[In thousands]

Type of return	1981	1982	1983
Income tax returns:			
Individual	94,018	95,481	95,284
Declaration of estimated tax	30,347	31,863	33,080
Fiduciary	1,197	1,964	1,994
Partnership	1,467	1,561	1,586
Corporation	2,806	2,950	3,078
Total income tax returns	130,555	133,819	135,022
Estate tax	146	135	111
Gift tax	199	99	91
Employment tax	26,063	25,835	25,537
Exempt organization	409	444	437
Employee plans	790	1,021	752
Alcohol, tobacco, and firearms	522	233	582
Excise tax	971	1,172	1,010
Supplemental documents	6,817	7,556	7,602
Non-Master file returns	56	55	30
Grand total	166,528	170,369	171,174

Source: Commissioner of Internal Revenue, Annual Report, 1981, 1982, and 1983.

TABLE 4.—INTERNAL REVENUE COLLECTIONS AND REFUNDS, 1982 AND 1983

[In millions of dollars]

Source	1982		1983	
	Gross collections	Refunds [1]	Gross collections	Refunds [1]
Grand total	632,241	75,202	627,247	89,761
Corporation income taxes	65,991	17,974	61,780	26,012
Individual income taxes	352,609	[2] 55,102	349,628	61,198
Employment taxes, total	168,718	1,578	173,848	1,850
Old-age, survivors, disability, and hospital insurance	(162,138)	NA	(166,421)	NA
Railroad retirement	(3,229)	NA	(3,115)	NA
Unemployment insurance	(3,351)	NA	(4,312)	NA
Estate and gift taxes	8,143	181	6,226	208
Excise taxes	36,780	367	35,765	493

[1] Does not include interest paid on refunds.

[2] Refunds of Forms 1040 and 1040A including withheld taxes, minus FICA.

Source: Commissioner of Internal Revenue, Annual Report, 1983.

TABLE 5.—INDIVIDUAL INCOME TAX—SOURCES OF INCOME AND SELECTED TAX ITEMS, 1981 AND 1982

Items	Billions of dollars except as noted	
	1981	1982
Number of returns, total (millions)	95.4	94.8
Taxable	76.7	76.7
Nontaxable	18.7	18.1
Number of exemptions (millions)	231.2	230.8
Adjusted gross income less deficit	1,772.6	1,847.3
Sources of income:		
Salaries and wages	1,486.1	1,558.9
Pensions and annuities in adjusted gross income	51.9	59.9
Business and profession net profit less loss	53.1	65.5
Farm net profit less loss	−7.8	2.2
Partnership net profit less loss	−.1	1.9
Small Business Corporation net profit less loss	−.8	.2
Sales of capital assets net gain less loss	30.8	31.2
Sales of property other than capital assets net gain less loss	.2	.5
Dividends received	48.2	53.6
Interest received	140.6	155.3
Dividends and interest in adjusted gross income	178.1	207.1
State income tax refunds	4.4	4.9
Alimony received	1.8	1.8
Unemployment compensation in adjusted gross income	2.3	7.1
Rent net income less loss	−2.8	−8.5
Royalty net income less loss	5.8	5.9
Estate or trust net income less loss	4.0	5.4
All other sources (net)	−2.9	−7.7
Total statutory adjustments	31.4	64.4
Contributions deduction—nonitemizers	NA	.4
Total itemized deductions	256.4	280.4
Taxable income	1,410.9	1,468.0
Zero bracket amount	240.8	NA
Exemptions (amount)	231.1	230.8
Income tax before credits	293.6	283.1
Total credits	11.3	7.5
Income tax after credits	282.3	275.6
Additional tax for tax preferences—minimum tax	.6	.4
Alternative minimum tax	1.3	.9
Total income tax	284.1	276.9
Self-employment tax	6.7	6.5
Total tax liability	291.1	285.6

Source: U.S. Department of the Treasury, Internal Revenue Service, Statistics of Income, Individual Income Tax Returns, 1981 and Advance Data, 1982 Individual Income Tax Returns.

TABLE 6.—INDIVIDUAL INCOME TAX RETURNS WITH ITEMIZED DEDUCTIONS, 1960–81

[In millions]

	Total individual returns [1]	Returns with itemized deductions	
		Number	Percent of total
1960	61.0	24.1	39.5
1965	67.6	27.9	41.3
1970	74.3	35.4	47.6
1972	77.6	27.0	34.8
1973	80.7	28.0	34.7
1974	83.3	29.6	35.5
1975	82.2	26.1	31.8
1976	84.7	26.0	30.7
1977	86.6	22.9	26.4
1978	89.9	25.8	28.7
1979	92.6	26.5	28.6
1980	93.6	28.8	30.8
1981	95.4	31.6	33.1
1982	94.8	33.2	35.0

[1] Through 1970, excludes returns with no adjusted income; thereafter includes returns with no adjusted income.

Source: Statistical Abstract of the United States 1980, p. 269, and U.S. Department of Treasury, Internal Revenue Service, SOI Bulletin, Vol. 1, No. 3, Winter 1981-82 Statistics of Income, Individual Income Tax Returns, 1981, and Advance Data, 1982 Individual Income Tax Returns.

TABLE 7.—INDIVIDUAL INCOME TAX—ITEMIZED DEDUCTIONS BY TYPE, 1982

	Number of returns (millions)	Amount (billions)
Medical and dental	21.9	21.3
Taxes paid	32.9	87.7
Contributions	30.4	33.3
Interest	30.1	119.0
Miscellaneous deductions	27.7	19.2
Net casualty or theft loss	(2.2)	(2.8)
Total	33.3	280.4

Source: U.S. Department of the Treasury, Internal Revenue Service, Advance Data, 1982 Individual Income Tax Returns.

TABLE 8.—INDIVIDUAL INCOME TAX—STATUTORY ADJUSTMENTS BY TYPE, 1982

	Number of returns (millions)	Amount (billions)
Moving expenses	1.4	$3.6
Employee business expense	7.0	16.1
Payments to an IRA	12.0	28.3
Payments to a Keogh plan	.6	2.5
Forfeited interest penalty	1.1	.3
Alimony paid	.6	2.9
Deduction for working married couple	21.9	9.1
Disability income exclusion	.3	1.0
Other	.3	.7
Total	33.3	64.4

Source: U.S. Treasury, Internal Revenue Service, Statistics of Income, Individual Income Tax Returns, 1981.

TABLE 9.—INDIVIDUAL INCOME TAX—TAX CREDITS BY TYPE, 1981 [1]

	Number of returns (millions)	Amount (billions)
Child care credit	4.6	$1.1
Earned income credit	6.7	1.9
Used to offset income tax	(3.1)	(.5)
Used to offset other taxes	(.7)	(.2)
Refundable portion	(4.8)	(1.3)
Credit for the elderly	.5	.1
Investment credit	4.5	4.0
Foreign tax credit	.4	1.2
New jobs credit	.8	1.4
Political contributions credit	5.2	.3
Rate reduction credit	74.9	3.3
Residential energy credit	3.9	.6
Total	75.9	11.3

[1] Excludes credits claimed by less than 50,000 taxpayers.

Source: U.S. Treasury, Internal Revenue Service, Statistics of Income, Individual Income Tax Returns, 1981.

TABLE 10.—RETURNS, ITEMIZERS, ADJUSTED GROSS INCOME, AND TAX LIABILITIES, BY ADJUSTED GROSS INCOME CLASS, 1982

Adjusted gross income	Taxable returns (millions)	Percentage itemizing deductions	Adjusted gross income		Income tax liability [1]		Liability as a percent of adjusted gross income
			Billions	Percent	Billions	Percent	
No A.G.I.	0.8	....	−$19.2	−1.0	$0.1	0.0	NA
Below $5,000	17.0	1.8	44.2	2.4	.5	.2	1.2
$5,000 under $10,000	16.9	9.2	126.4	6.8	6.4	2.3	5.1
$10,000 under $15,000	14.2	18.9	176.7	9.6	14.9	5.4	8.5
$15,000 under $20,000	10.1	31.6	182.1	9.9	19.5	7.0	10.7
$20,000 under $30,000	16.4	54.4	405.7	22.0	51.8	18.7	12.8
$30,000 under $50,000	14.5	81.5	546.1	29.6	83.6	30.2	15.3
$50,000 under $100,000	3.8	93.3	238.6	12.6	53.5	19.3	22.4
$100,000 under $200,000	.6	97.0	74.7	4.0	21.9	7.9	29.4
$200,000 and above	.2	98.2	72.0	3.9	26.8	9.7	37.2
Total	94.8	34.5	1,847.3	100.0	276.9	100.0	15.0

[1] Tax liabilities do not reflect the refundable portion of the earned income credit.

Source: U.S. Department of the Treasury, Internal Revenue Service, Advance Data, 1982 Individual Income Tax Returns.

TABLE 11.—CORPORATION INCOME TAXES—RETURN CHARACTERISTICS OF ACTIVE CORPORATIONS, 1980

	Number of returns	Millions of dollars
Active corporation	2,710,538	
With net income	(1,596,632)	
Total receipts		6,361,284
Business receipts		(5,731,616)
Cost of sales and operations		4,204,906
Net income (less deficit)		239,007
Net income		(296,787)
Income subject to tax	1,131,883	246,593
Income tax (before credits)	1,170,504	105,141
Normal tax, surtax and alternative tax	1,131,887	103,829
Tax from recomputing prior-year investment credit	197,025	868
Tax from recomputing prior-year work incentive (WIN) credit	708	5
Additional tax for tax preferences	9,213	439
Foreign tax credit	6,282	24,861
U.S. possessions tax credit	589	1,566
Investment credit	785,001	15,103
Work incentive (WIN) credit	7,585	36
Jobs credit	114,400	601
Total tax after credits	989,212	62,973
Distribution to stockholders (except in own stock) all returns		97,379
Returns with net income		98,520
Total assets		7,617,238
Depreciable assets		2,107,028
Depreciation deduction		157,346

Note.—Numbers in parentheses are additive to the totals; 1980 data are for corporations with taxable years beginning July 1979 through June 1980.

Sources: U.S. Department of the Treasury, Internal Revenue Service, Statistics of Income 1980, Corporation Income Tax Returns, pp. 16, 19, and 58.

Section 2. Bibliographic Information

The following is a list, prepared by the Congressional Research Service of the Library of Congress, of the principal sources for Federal tax statistics that are published by agencies of the Federal Government. The listings are arranged by publishing agency and include brief annotations where appropriate. The entries are principally printed material but include several computer tape filings.

I. INTERNAL REVENUE SERVICE PUBLICATIONS

A. STATISTICS OF INCOME

The most detailed and comprehensive source for statistics on Federal taxes is published by the Internal Revenue Service in its *Statistics of Income* series, the components of which are usually published on an annual basis. The data in the reports are based on information on tax returns filed with the IRS. The reports consist of a wide variety of statistical information on income tax liabilities as well as characteristics of the income that generates the liabilities. The series began in 1916 and until 1954 reported statistics from all forms of tax returns in a single one or two volume series entitled *Statistics of Income.* Beginning with 1954 the series was separated into several components, according to the type of income tax returns on which the statistics were based.

Regular reports.

The following *Statistics of Income* reports are generally issued annually.

U.S. Internal Revenue Service. Statistics of Income. 1916–53. Washington, U.S. Gov't. Print. Off., various dates.

———. Statistics of Income: Corporation Income Tax Returns. 1954– . Washington, U.S. Gov't. Print. Off., various dates.

———. Statistics of Income: Estate Tax Returns. 1954– . Washington, U.S. Gov't. Print. Off., various dates.

———. Statistics of Income: Individual Income Tax Returns. 1954– . Washington, U.S. Gov't. Print. Off., various dates.

———. Statistics of Income: Partnership Returns. 1977– . Washington, U.S. Gov't. Print. Off., various dates.

———. Statistics of Income: Sole Proprietorship Returns. 1977– . Washington, U.S. Gov't. Print. Off., various dates.

The following series was published on a regular basis for tax years 1957 through 1976, but was replaced, beginning in 1977 by the *Partnership* and *Sole Proprietorship* series' listed above.

———. Statistics of Income: Business Income Tax Returns, 1957/58–76. Washington, U.S. Gov't. Print. Off., various dates.

Supplemental reports

In addition to its regular series; the Internal Revenue Service published supplementary *Statistics of Income* reports containing a variety of tax statistics. The most recent of these reports are listed here.

U.S. Internal Revenue Service, Statistics of Income: Domestic International Sales Corporation Returns, 1972, 1973 and 1974. Washington, U.S. Gov't Print. Off., 1980.

———. Statistics of Income: Foreign Income and Taxes Reported on Individual Income Tax Returns, 1972-78. Washington, U.S. Gov't. Print. Off., 1981.

———. Statistics of Income: Foreign Tax Credit Claimed on Corporation Returns, 1974. Washington, U.S. Gov't. Print. Off., 1980.

———. Statistics of Income: Sales of Capital Assets Reported on Individual Income Tax Returns, 1973. Washington, U.S. Gov't. Print. Off., 1980.

———. Statistics of Income: Individual Retirement Arrangements, 1976. Washington, U.S. Gov't. Print. Off., 1980.

———. Statistics of Income: Private Foundations, 1974-78. Washington, U.S. Gov't. Print. Off., 1981.

———. Statistics of Income: U.S. Corporations and their Controlled Foreign Corporations, 1974-78. Washington, U.S. Gov't. Print. Off., 1981.

———. Statistics of Income: Foreign Income and Taxes Reported on U.S. Income Tax Returns, 1976-79. Washington, U.S. Gov't. Print. Off., 1982.

In addition to the reports cited above, the Internal Revenue Service publishes preliminary income tax data in its *Statistics of Income Bulletin.* This publication began in 1981 and is published on a quarterly basis.

B. OTHER INTERNAL REVENUE SERVICE PUBLICATIONS

U.S. Internal Revenue Service. Annual Report of the Commissioner of Internal Revenue and the Chief Counsel for the Internal Revenue Service. 1863/64—Washington, U.S. Gov't. Print. Off., various dates.

This annual document is in the nature of an administrative report. Accordingly, while it does contain relatively detailed statistics on taxes that overlap to some degree with the *Statistics of Income* series, it emphasis is different. Statistics reported include actual tax collections by type of tax rather than tax liabilities such as reported in *Statistics of Income.* Other administrative data such as refunds issued are also reported. Also, statistics are reported on a fiscal year basis rather than by tax year, as with the *Statistics of Income* series.

In addition to the above series, much of the raw data that appears in organized form in the *Statistics of Income* series is available in the form of computer tape files. The following tape files are available on a reimbursable basis from the Statistics of Income Division, Internal Revenue Service.

Individual Tax Model File, 1966-80, including State Tax Model File, 1979-1980
Estate Tax File, 1972, 1976
State Tax Model File, 1977-80
Corporation Source Book, 1965-76, 1979
Private Foundations File, 1974
Employee Plans File, 1977
Exempt Organizations File, 1975

II. DEPARTMENT OF THE TREASURY PUBLICATIONS

The Department of the Treasury issues several regular reports that contain statistics on Federal taxes. Several of these reports contained statistics on tax receipts in the context of Federal receipts as a whole. The Treasury Department also issues reports on several specific provisions of the Internal Revenue Code, providing a wide variety of statistics.

U.S. Department of the Treasury. Annual Report of the Secretary of the Treasury on the State of the Finances, 1815- . Washington, U.S. Gov't Print. Off., various dates.

The Annual Report contains a brief section on tax receipts by type of tax, shown in the context of budget receipts as a whole. The statistics are reported on a fiscal year basis.

———. High Income Tax Returns. 1974/75-1975/76. Washington, U.S. Gov't. Print. Off., 1977, 1978.

The Treasury Department is required by P.L. 94-455 to issue annual reports on high income tax returns. The reports emphasize returns with little or no tax liability. Beginning with tax year 1979, the report was integrated into the regular Statistics of Income volume for individuals.

———. Operation and Effect of the Domestic International Sales Corporation Legislation, 1972- . Washington, U.S. Gov't Print. Off., 1974-81.

This report is required annually under P.L. 92-178.

———. Operation and Effect of the International Boycott Provisions of the Internal Revenue Code, 1976- . Washington, U.S. Gov't. Print. Off., 1979, 1980, 1982.

This report is required to be made annually by P.L. 94-455.

———. Operation and Effect of the Possessions Corporation System of Taxation, 1978- . Washington, U.S. Gov't Print. Off., 1978-80.

This report is required to be made annually by P.L. 94-455.

———. Treasury Bulletin. Washington, U.S. Gov't Print. Off., 1939- .

This quarterly publication reports tax receipts by type of tax on a monthly basis and in the context of Federal receipts as a whole.

———. Treasury Combined Statement of Receipts, Expenditures and Balances of the United States Government, 1940- . Washington, Dept. of the Treasury, various dates.

The annual Combined Statement also report tax receipts by type of tax in the context of budget receipts as a whole, but on a fiscal year basis. Its statistics are generally more detailed than those published in the Annual Report of the Secretary.

III. OTHER EXECUTIVE BRANCH PUBLICATIONS

———. U.S. Department of Commerce. Bureau of the Census. Historical Statistics of the United States, Colonial Times to the Present. Bicentennial Edition, part 2. Washington, U.S. Gov't Print. Off., 1975.

This volume contains a section on Government finances that presents a wide variety of historical tax statistics gathered from the IRS and Treasury Department sources listed above, although in a generally less detailed form.

———. Statistical Abstract of the United States 1978- . Washington, U.S. Gov't. Print. Off., various dates.

The Statistical Abstract also contains statistics on Federal taxes gathered from sources previously listed. Because it is published annually, statistics it reports are more current than those in the Bureau's Historical Statistics volume. However, less historical detail is provided.

U.S. Department of Commerce. Bureau of Economic Analysis. National Income and Product Accounts of the United States, 1929-76: Statistical Tables. Washington, Dept. of Commerce, Sept. 1981.

This volume contains tax statistics on an historical basis in the context of the National Income and Product Accounts.

———. Survey of Current Business. Washington, 1921- .

Published on a monthly basis, this serial also reports tax statistics in the context of the National Income and Product Accounts.

U.S. Federal Trade Commission. Quarterly Financial Report for Manufacturing, Mining and Trade Corporations. Washington, 1947- .

This quarterly report contains statistical information based on samples of financial reports filed with the FTC by corporations. Corporate tax information is reported in aggregate form in the context of balance sheets.

U.S. Office of Management and Budget. Budget of the United States Government. 1921- . Washington, U.S. Gov't. Print. Off., various dates.

The principal budget document, issued on a fiscal year basis, generally contains a section that projects future budget receipts by source. The corresponding section of the Fiscal Year 1984 document is Part 4. In addition, the budget generally contains a section comprised of summary tables that include historical

statistics on tax receipts. These tables are in Part 9 of the Fiscal Year 1984 document.

———. Budget of the United States Government, 1984: Special Analysis B—Federal Transactions in the National Income Accounts. Washington, U.S. Gov't. Print. Off., 1983.

Associated with the principal budget document, but published separately are numerous analyses of topics related to the budget. Special Analysis B contains statistics on tax receipts in the context of the National Income and Product Accounts.

———. Budget of the United States Government, 1984: Special Analysis G—Tax Expenditures. Washington, U.S. Gov't. Print. Off., 1983. Special Analysis G contains statistics related to tax expenditures.

U.S. President. Economic Report of the President, Transmitted to the Congress, 1947- . Washington, U.S. Gov't. Print. Off., various dates.

This annual document contains summary statistics on Federal tax receipts in the context of total Federal receipts on both a calendar and fiscal basis and with some historical detail.

An additional Federal agency from which tax statistics are available is the Securities and Exchange Commission (SEC). Many corporations are required to file financial statements with the SEC that include tax information. These statements, filed on form 10K, are not compiled and published by the SEC but are accessible to the general public at the SEC Public Reference Office, 4050 5th St. N.W., Washington, D.C.

IV. Legislative Branch Sources

The Joint Committee on Taxation frequently publishes revenue estimates prepared by its staff. These are usually associated with revenue measures that are pending before or have recently been passed by Congress or that are otherwise of interest. The estimates generally appear in reports of the House Ways and Means Committee, the Senate Finance Committee, or in Joint Committee prints. Some of the Joint Committee's recent revenue estimates are contained in the publications listed below.

U.S. Congress. Joint Committee on Taxation. Analysis of Proposals Relating to Broadening the Base and Lowering the Rates of the Income Tax, Scheduled for a Hearing Before the Committee on Finance on September 28–30, 1982: Prepared for the Use of the Committee on Finance by the Staff of the Joint Committee on Taxation. Committee Print, 97th Cong., 2nd sess., 1982. Washington, U.S. Gov't. Print. Off., 1982.

———. Estimates of Federal Tax Expenditures for Fiscal Years 1983–1988. Joint Committee Print, 98th Cong., 1st sess., 1983. Washington, U.S. Gov't. Print. Off., 1983.

———. General Explanation of the Economic Recovery Tax Act of 1981. Joint Committee Print, 97th Cong., 1st. sess., Dec. 29, 1981. Washington, U.S. Gov't. Print. Off., 1982.

———. General Explanation of the Revenue Provisions of the Tax Equity and Fiscal Responsibility Act of 1982. Joint Committee Print, 97th Cong., 2nd sess., Dec. 31, 1982. Washington, U.S. Gov't. Print. Off., 1982.

———. Summary of Present Federal Excise Taxes. Joint Committee Print, 98th Cong., 1st sess., 1983. Washington, U.S. Gov't. Print. Off., 1983.

U.S. Congress. Senate. Committee on the Budget. Tax Expenditures: Relationships to Spending Programs and Background Material on Individual Provisions. Committee Print, 97th Cong., 2nd sess., March 17, 1982. Washington, U.S. Gov't. Print. Off., 1982.

In connection with its function of providing Congress with information and analysis of the Federal budget, the Congressional Budget Office (CBO) frequently publishes statistics on tax receipts along with its budget reports. Much of CBO's statistics is projections of tax receipts for future years. A listing of recent CBO publications that contain tax data is provided below.

U.S. Congressional Budget Office. An Analysis of the President's Budgetary Proposals for Fiscal Year 1984. Washington, U.S. Gov't. Print. Off., February 1983.

———. Baseline Budget Projections for Fiscal Years 1984-88; A Report to the Senate and House Committees on the Budget—Part II. Washington, U.S. Gov't. Print. Off., February 1983.

———. The Economic and Budget Outlook: An Update. Washington, U.S. Gov't. Print. Off., August 1983.

———. Forecasting Individual Income Tax Revenues: A Technical Analysis. Washington, U.S. Gov't. Print. Off., August 1983.

———. The Outlook for Economic Recovery: A Report to the Senate and House Committees on the Budget—Part I. Washington, U.S. Gov't. Print. Off., February 1983.

———. Reducing the Deficit—Spending and Revenue Options: A Report to the Senate and House Committees on the Budget—Part III. Washington, U.S. Gov't. Print. Off., February 1983.

———. Revising the Individual Income Tax. Washington, U.S. Gov't. Print. Off., July 1983.

———. Tax Expenditures: Current Issues and Five-Year Budget Projections for Fiscal Years 1984-1988. Washington, U.S. Gov't. Print. Off., October 1983.

PART 4

OTHER MATTERS WITHIN THE JURISDICTION OF THE COMMITTEE ON WAYS AND MEANS

Section 1. Public Debt and Debt Management
Section 2. The Federal Financing Bank
Section 3. Pension Benefit Guaranty Corporation
Section 4. Capital Construction Fund

Section 1. Public Debt and Debt Management

This section describes the relationship between changes in the public debt and the budget as well as the statutory limitations on the conduct of debt management. A variety of data descriptive of the public debt are also provided.

An increase in the gross public debt during a fiscal year is approximately equal to the Federal funds deficit plus the deficit of off-budget Federal entities. The Federal funds deficit reduced by trust fund surpluses equals the unified budget deficit. Federal funds receipts are derived mainly from taxes and are used for the general purposes of the Government. The trust funds collect certain taxes and other receipts for specified purposes, such as payment of social security benefits, in accordance with the terms of a trust agreement or statute. Thus, even if the unified budget were in balance, the public debt would still increase if the Federal funds were in a deficit position and the trust funds accumulating an offsetting surplus. In general, trust fund surpluses are invested in special issue public debt securities. Even if both Federal funds and trust funds were in balance, the gross public debt would increase if the off-budget Federal entities were in a deficit position. The largest of the off-budget Federal entities, in terms of its deficit, is the Federal Financing Bank discussed below in Section 2.

An increase in the gross public debt is not precisely equal to the Federal funds deficit plus the deficit of off-budget Federal entities because, to a limited extent, deficits can be financed by means other than borrowing. For example, if the Federal Government ends the fiscal year with a smaller cash balance than at the beginning of the year, that decline in the cash balance would substitute for borrowing from the public.

It is, of course, possible for the public debt to decline. For example, this would occur if a Federal funds surplus exceeded the deficit of off-budget Federal entities. If at the same time the trust funds were in a surplus position, investment of those surpluses in public debt securities would be accomplished by the Treasury not issuing new debt to replace maturing debt held by the public and instead issuing new special issues to the trust funds. In economic terms, the debt held by the public—that is the amount that excludes the debt held by trust funds—has much more significance than the total debt outstanding.

The range of possible impacts of the deficits or surpluses of Federal funds, trust funds, and off-budget Federal entities on the unified budget deficit, gross public debt and debt held by the public is summarized in the table below. For example if the Federal funds account is in deficit, the unified budget deficit will be larger, as will be the gross public debt and the debt held by the public.

Beginning in fiscal year 1993, the transactions of the social security trust funds (other than for supplemental medical insurance) will be moved "off budget," as provided by the Social Security Amendments of 1983 (Public Law 98-21). That change in budget concepts will not affect the definition of the public debt nor its economic implications.

	Impact on		
	Unified budget deficit	Gross public debt	Debt held by the public
Federal funds:			
Deficit	+	+	+
Surplus	−	−	−
Trust funds:			
Deficit	+	0	+
Surplus	−	0	−
Off-budget Federal entities:			
Deficit	0	+	+
Surplus	0	−	−

Table 1 provides actual information on the budget and public debt. Table 2 shows the statutory debt limit and debt subject to limit at the end of each fiscal year since 1973. The gross public debt is larger than the amount subject to limit primarily because certain debts issued by Federal agencies are not, by statute, subject to the debt ceiling. The amount of such agency debt outstanding has been reduced in recent years. For a more complete discussion of the budget and debt concepts see special analyses C and E in Special Analyses, Budget of the United States Government, Fiscal Year 1985.

Statutory limitations have traditionally been placed on Federal debt. Until World War I, the Congress ordinarily authorized a specific amount for each debt issue. Beginning with the Second Liberty Bond Act of 1917, however, the nature of the limitation was modified in several steps until it developed into a ceiling on the total amount of most Federal debt outstanding. The latter type of limitation has been in effect since 1941.

In 1971, the statutory debt limit was set at a permanent limit of $400 billion. Temporary increments that usually expired in a year or less were periodically enacted. Since the debt subject to limit was more than $400 billion, new legislation was required no later than the expiration date of each temporary increment. Three times in recent years the temporary increment expired without having been extended, so for a few days on each occasion the Federal debt exceeded the statutory limit. The validity of debt issued prior to the expiration of the temporary ceiling was not affected, but the Treasury Department had to suspend all sales of savings bonds and other debt securities until a new temporary ceiling was enacted.

The distinction between the permanent and temporary debt limit was eliminated by Public Law 98-34 (enacted May 26, 1983) which set the permanent limit at $1,389 billion. The limit was increased to $1,490 billion on November 21, 1983 (Public Law 98-161). The public debt subject to limit on December 31, 1983, was $1,411.4 billion.

Rules enacted in 1979 integrate the House's procedure for setting of the public debt limit with the congressional budget process. Under this procedure (House Rule XLIX), when the conference report on a budget resolution is adopted and specifies a public debt limit for a fiscal year which differs from the statutory limit in effect, the Enrolling Clerk of the House prepares a joint resolution which changes the current statutory public debt limit consistent with the level of public debt specified in the budget resolution. The vote by which the House agreed to the conference report on the budget resolution is deemed to have been a vote in favor of the joint resolution on the public debt. If there is no conference report, the House vote to adopt the budget resolution applies. The joint resolution is then sent to the Senate for legislative action. After final passage by both Houses, the joint resolution is transmitted to the President for his signature.

As part of this process, the Committee on Ways and Means submits a specific recommendation in its March 15th report to the House Budget Committee for the appropriate public debt limit to be included in the budget resolution.

This procedure does not preclude changing the public debt limit at any time by passing a public debt limit bill that originates in the Committee on Ways and Means.

Table 3 provides information on the ownership of the public debt. Interest received on the public debt held by Federal Reserve Banks is in excess of the costs of operating those banks. Excess earnings of the Federal Reserve Banks are paid over to the Treasury and classified as miscellaneous budget receipts. During 1983, these payments totaled $14.5 billion.

Table 4 shows the composition of interest-bearing public debt by kind of obligation. Current law constrains the composition of the debt by a 4½ percent interest rate ceiling on bonds with a maturity at date of issue of 10 years or more. Under current law, $150 billion of long-term bonds are exempt from the 4½ percent interest rate ceiling. This limitation was most recently revised by Public Law 98-34 which increased the limitation from $110 billion to $150 billion.

Prior to the enactment of Public Law 97-248, the Tax Equity and Fiscal Responsibility Act of 1982, the rate of interest on savings bonds was constrained. The rate could not have been increased by more than 1 percentage point in any 6-month period. The 1982 Act repealed that limitation thus allowing the Treasury Department to issue savings bonds with a variable rate of interest. The Treasury Department's new savings bond program went into effect on November 1, 1982.

The maturity distribution of the debt is shown in table 5. This distribution can be summarized in terms of the average maturity of the debt. Debt management primarily involves decisions regarding the maturity composition of the debt. The longer the average maturity of the debt, the smaller the amount of maturing securities that must be refinanced with new issues at any one time. Smaller refunding operations are less likely to disturb capital markets. On the other hand, lengthening the average maturity of the debt requires issuing more longer term securities that are competitive with securities issued to finance private capital formation. Longer term securities typically carry higher interest rates than short-term securities so that lengthening the average maturity of the debt may result in higher interest payments.

TABLE 1.—BUDGET RECEIPTS, OUTLAYS, AND DEBT, 1975–83

[In billions of dollars]

Description	1975	1977	1979	1981	1983
Receipts:					
Federal funds	187.5	241.3	316.4	410.4	382.4
Trust funds	116.7	150.6	187.0	239.4	317.4
Interfund transactions	−25.1	−36.3	−40.1	−50.6	−99.2
Total budget receipts	279.1	355.6	463.3	599.3	600.6
Outlays:					
Federal funds	240.1	295.8	362.4	475.2	600.9
Trust funds	109.3	141.1	168.7	232.6	294.3
Interfund transactions	−25.1	−36.3	−40.1	−50.6	−99.2
Total budget outlays	324.2	400.5	491.0	657.2	796.0
Outlays, off-budget Federal entities	(8.1)	(8.7)	(12.5)	(21.0)	(12.4)
Outlays including off-budget	(332.3)	(409.2)	(503.5)	(678.2)	(808.3)
Surplus or deficit (−):					
Federal funds	−52.6	−54.4	−46.0	−64.7	−218.5
Trust funds	7.4	9.5	18.3	6.8	23.1
Total surplus or deficit (−)	−45.2	−44.9	−27.7	−57.9	−195.4
Deficit (−), off-budget Federal entities	(−8.1)	(−8.7)	(−12.5)	(−21.0)	(−12.4)
Surplus or deficit (−) including off-budget	(−53.2)	(−53.6)	(−40.2)	(−78.9)	(−207.8)
Debt outstanding, end of year:					
Gross Federal debt	544.1	709.1	833.8	1,003.9	1,381.9
Held by the public	396.9	551.8	644.6	794.4	1,141.8

Source: The United States Budget in Brief, Fiscal Year 1985, Executive Office of the President, Office of Management and Budget, p. 68.

TABLE 2.—STATUTORY DEBT LIMIT AND DEBT SUBJECT TO LIMIT, 1974–83

[In billions of dollars]

End of fiscal year	Statutory debt limit	Debt subject to limit
1974	495.0	475.2
1975	577.0	534.2
1976	636.0	620.6
1977	700.0	700.0
1978	798.0	772.7
1979	830.0	827.6
1980	925.0	908.7
1981	999.8	999.8
1982	1,143.1	1,142.9
1983	1,389.0	1,378.0

Source: Treasury Bulletin, 4th Quarter, Fiscal 1983, p. 16.

TABLE 3.—ESTIMATED OWNERSHIP OF PUBLIC DEBT SECURITIES, 1976–83

[Par values; [1] billions of dollars]

End of year	Total public debt securities	Held by Government accounts	Held by Federal Reserve Banks	Held by private investors											
						Nonbank investors									
							Individuals [3]								
				Total	Commercial banks [2]	Total	Total	Savings bonds [4]	Other securities	Insurance companies	Money market funds	Corporations [5]	State and local governments [6]	Foreign and international [7]	Other investors [8]
1976	653.5	147.1	97.0	409.5	103.5	306.0	101.6	72.0	29.6	16.2	1.1	23.5	39.2	78.1	46.3
1977	718.9	154.8	102.8	461.3	98.9	362.4	107.8	76.7	31.1	19.9	.9	18.2	50.9	109.6	55.1
1978	789.2	170.0	110.6	508.6	95.0	413.6	114.0	80.7	33.3	20.0	1.5	17.3	62.8	137.8	60.2
1979	845.1	187.1	117.5	540.5	88.1	452.4	118.0	79.9	38.1	21.4	5.6	17.0	71.8	123.7	94.9
1980	930.2	192.5	121.3	616.4	112.1	504.3	117.1	72.5	44.6	24.0	3.5	19.3	84.4	134.3	121.7
1981	1,028.7	203.3	131.0	694.5	111.4	583.1	110.8	68.1	42.7	29.0	21.5	17.9	^{p}99.5	141.4	^{p}163.0
1982	1,197.1	209.4	139.3	848.4	131.4	717.0	116.5	68.3	48.2	39.1	42.6	24.5	^{p}113.4	149.4	^{p}231.5
1983 [9]	1,377.2	239.0	155.4	982.7	176.3	806.4	^{p}128.5	^{p}70.6	^{p}57.9	....	24.0	^{p}35.5	....	^{p}160.8	....

[1] U.S. savings bonds, series A–F and J, are included at current redemption value.

[2] Includes domestically chartered banks, U.S. branches and agencies of foreign banks, New York investment companies majority owned by foreign banks, and Edge Act corporations owned by domestically chartered and foreign banks.

[3] Includes partnerships and personal trust accounts.

[4] Includes U.S. savings notes. Sales began May 1, 1967, and were discontinued June 30, 1970.

[5] Exclusive of banks and insurance companies.

[6] Includes State and local pension funds.

[7] Consists of the investment of foreign balances and international accounts in the United States.

[8] Includes savings and loan associations, credit unions, nonprofit institutions, mutual savings banks, corporate pension trust funds, dealers and brokers, certan Government deposit accounts, and Government sponsored agencies.

[9] September estimate.

Source: Economic Report of the President, 1984, p. 314.

TABLE 4.—INTEREST-BEARING PUBLIC DEBT SECURITIES BY KIND OF OBLIGATION, 1974–83

[In billions of dollars]

End of fiscal year	Total interest-bearing public debt securities	Marketable				Nonmarketable				
		Total	Treasury bills	Treasury notes	Treasury bonds[1]	Total	U.S. savings bonds	Foreign government and public series[2]	Government account series	Other[3]
1974	473.2	266.6	105.0	128.4	33.1	206.7	62.0	25.0	115.4	4.3
1975	532.1	315.6	128.6	150.3	36.8	216.5	65.5	23.2	124.2	3.6
1976	619.3	392.6	161.2	191.8	39.6	226.7	69.7	22.0	130.6	4.9
1977	697.6	443.5	156.1	241.7	45.7	254.1	75.4	21.8	140.1	16.8
1978	767.0	485.2	161.0	267.9	56.4	281.8	79.8	21.7	153.3	27.1
1979	819.0	506.7	161.4	274.2	71.1	312.3	80.4	28.1	176.4	27.4
1980	906.4	594.5	199.8	310.9	83.8	311.9	72.7	25.2	189.8	24.2
1981	996.5	683.2	223.4	363.6	96.2	313.3	68.0	20.5	201.1	23.7
1982	1,140.9	824.4	277.9	442.9	103.6	316.5	67.3	14.7	210.5	24.1
1983	1,375.8	1,024.0	340.7	557.5	125.7	351.8	70.0	11.4	234.7	35.5

[1] Includes Treasury bonds and minor amounts of Panama Canal and postal savings bonds.

[2] Nonmarketable certificates of indebtedness, notes, bonds, and bills in the Treasury foreign series of dollar-denominated and foreign-currency denominated issues.

[3] Includes depository bonds, retirement plan bonds, Rural Electrification Administration bonds, State and local bonds, and special issues held only by U.S. Government agencies and trust funds and the Federal home loan banks.

Note.—Through fiscal year 1976, the fiscal year was on a July 1–June 30 basis; beginning October 1976 (fiscal year 1977) the fiscal year is on an October 1–September 30 basis.

Source: Treasury Bulletin, 4th Quarter, Fiscal 1983, p. 13.

TABLE 5.—MATURITY DISTRIBUTION AND AVERAGE LENGTH OF MARKETABLE INTEREST-BEARING PUBLIC DEBT SECURITIES HELD BY PRIVATE INVESTORS, 1974–83

[Dollars in billions]

End of fiscal year	Amount outstanding, privately held	Maturity class					Average length	
		Within 1 year	1 to 5 years	5 to 10 years	10 to 20 years	20 years and over	Years	Months
1974	164.9	87.2	50.1	14.2	9.9	3.5	2	11
1975	210.4	115.7	65.9	15.4	8.9	4.6	2	8
1976	279.8	151.7	89.2	24.2	8.1	6.7	2	7
1977	326.7	161.3	113.3	33.1	8.4	10.5	2	11
1978	356.1	163.9	133.0	33.5	11.4	14.8	3	3
1979	380.5	181.9	127.6	32.3	18.5	20.3	3	7
1980	463.7	220.1	156.2	38.8	25.9	22.7	3	9
1981	549.9	256.2	182.2	48.7	32.6	30.1	4	0
1982	682.0	314.4	221.8	75.7	33.0	37.1	3	11
1983	862.6	379.6	295.0	99.2	40.8	48.1	4	1

Note.—All issues classified to final maturity. Through fiscal year 1976, the fiscal year was on a July 1–June 30 basis; beginning October 1976 (fiscal year 1977), the fiscal year is on an October 1–September 30 basis.

Source: Treasury Bulletin, 4th Quarter, Fiscal 1983, p. 16.

Section 2. The Federal Financing Bank

LEGISLATIVE HISTORY

The Federal Financing Bank (FFB) was established by Public Law 93-224 after favorable consideration by the House Committee on Ways and Means and the Senate Committee on Banking, Housing and Urban Affairs. The House and Senate agreed to the conference report on December 19, 1973. (House Reports 93-299, Committee on Ways and Means and 93-700, Conference Committee, and Senate Report 93-166, Committee on Banking).

OPERATIONS OF THE FFB

The FFB was created as an off-budget Federal agency in the Treasury Department as a means of coordinating Federal borrowing efforts, reducing the costs of Federal borrowing from the public, and minimizing the disruption of Federal borrowing in the private markets. At the time the FFB was established, Federal credit programs had expanded to the point that some Federal financing was going to the market every few days. Accordingly, the FFB was authorized to purchase the obligations of any Federal agency and obligations guaranteed by Federal agencies. The FFB began operations in May 1974. Although the FFB was authorized to borrow in its own name in the private markets, it has done so only once. Since then, the FFB has borrowed directly from the Treasury Department, and it in turn has borrowed that amount in addition to the borrowing needed to finance the budget deficit. Hence, the Federal debt is increased as the Treasury Department borrows to accommodate the FFB.

The FFB's outstanding holdings have grown dramatically, from $35 billion in fiscal year 1977 to $64 billion in fiscal year 1979, $107.8 billion in fiscal year 1981, $124.3 billion in fiscal year 1982, and $135.9 billion in fiscal year 1983. Much of this growth has occurred in the purchase of Federally-guaranteed loans. Because of the process used in purchasing new guaranteed loans, FFB purchases of such guaranteed loans have the effect of converting agency guaranteed loans into a direct off-budget loan of the Federal government. When the FFB purchases the loan assets of other Federal agencies, the effect is to transfer the direct agency loan into an off-budget loan of the FFB.

There is no statutory limit on the magnitude of the FFB's operations. Accordingly, the only controls are indirect and result from whatever limits may be imposed in the authorizations or appropriations processes on the credit activities of other Federal agencies. Since 1980, the Administration and Congress have been working to develop a more comprehensive system for controlling Federal credit activities in the budget process. The Administration proposes appropriations limits on new direct loan obligations and loan guarantee commitments as part of the budget process. These requests are then acted upon by Congress through regular appropriations bills. Presently, however, limits have been proposed for roughly half the Federal credit budget.

OUTLAYS AND ACQUISITIONS

Table 1 illustrates that FFB annual outlays have grown from $13.3 billion in fiscal year 1979 to $21 billion in fiscal year 1981, declining to $10.4 billion in fiscal year 1983. Over the same period, the FFB's outstanding portfolio has grown from $64 billion to $136 billion. Annual acquisitions have ranged over the period from $16 billion to over $30 billion.

Table 2 contains a distribution of FFB annual outlays by Federal agency or program. Actual outlays are shown for fiscal years 1981, 1982, and 1983. As these data illustrate, FFB's outlays are devoted primarily to the credit programs of the Farmers Home Administration and the Rural Electrification Administration and to foreign military sales.

TABLE 1.—FEDERAL FINANCING BANK ACTIVITIES

[In millions of dollars]

	Fiscal year—				
	1979	1980	1981	1982	1983
New acquisitions	16,045	22,188	30,269	26,232	18,295
Net outlays	13,282	14,365	20,956	14,155	10,396
Outstandings [1]	64,211	83,072	107,799	124,301	135,923

[1] Includes balance of direct loans and purchases of Federal agency debt.

Source: Special Analysis F, Table F-4, Budget of the United States, Fiscal Years 1980-82; Table F-5, Budget of the United States, Fiscal Year 1983; Table F-8, Budget of the United States, Fiscal Year 1984; Table F-17, Budget of the United States, Fiscal Year 1985.

TABLE 2.—DISTRIBUTION OF FEDERAL FINANCING BANK OUTLAYS

[In millions of dollars]

Description	1981	1982	1983
Outlays from direct loans, by agency or programs:			
Farmers Home Administration: Certificates of beneficial ownership	10,860	4,915	2,955
Rural Electrification and Telephone revolving fund:			
Certificates of beneficial ownership	683	528	344
New originations	3,918	3,939	2,657
Foreign military sales credit	1,945	2,288	2,858
Student Loan Marketing Association	1,955	700	0
Housing and Urban Development:			
Community Development	35	43	60
Low rent public housing	810	696	443
Transportation: Railroad programs	250	78	15
National Aeronautics and Space Administration	111	120	189
Small business investment companies	119	151	182
Tennessee Valley Authority: Seven States Energy Corporation	237	336	161
Energy projects		340	554
Other	33	22	−22
Subtotal, outlays from direct loans	20,956	14,155	10,396
Interest, transfer of surplus, and administrative expenses [1]	79	−12	9
Total, FFB outlays	21,035	14,142	10,404

[1] Net effect on outlays from nonlending activities.

Note: Details may not add due to rounding.

Source: U.S. Budget, Fiscal Year 1985, part 6, pp. 6–13, and in earlier fiscal years, Special Analysis F.

Section 3. Pension Benefit Guaranty Corporation

LEGISLATIVE HISTORY

The Pension Benefit Guaranty Corporation (PBGC) was established under Title IV of the Employee Retirement Income Security Act of 1974 (ERISA) (88 Stat. 829, Public Law 93–406) to protect the retirement income of plan participants and their beneficiaries covered under private sector, defined benefit pension plans. Public Law 96–364 requires that the Corporation's receipts and disbursements are to be on-budget and included in the Government's budget totals.

EXPLANATION OF THE CORPORATION AND ITS FUNCTIONS

Administration

The Pension Benefit Guaranty Corporation is a wholly owned Government corporation, administered by a board of directors, the chairman being the Secretary of Labor; other directors being the Secretary of Commerce and the Secretary of the Treasury. ERISA provides for a 7-member Advisory Committee, appointed by the President, for staggered 3-year terms. The Advisory Committee is to advise the PBGC as to its policies and procedures relating to the appointment of trustees in termination proceedings, investment of moneys, plan liquidations, and other matters as requested by the PBGC.

Plan Termination Insurance Generally

Individuals protected by the pension plan termination insurance program (Title IV of ERISA) are participants and beneficiaries of defined benefit pension plans that either affect interstate commerce or are qualified under the Internal Revenue Code. Only vested benefits are insured. Pension plans specifically excluded from the plan termination insurance program are government and church plans, individual account plans (i.e., defined contribution plans such as profit-sharing, money purchase, thrift and savings, and stock bonus plans), and plans of fraternal societies financed entirely by member contributions.

A. Single-Employer Plans

Terminated single employer plans are taken over by the PBGC and a trust fund is established for plans taken into trusteeship. The PBGC assumes control of the plan assets and takes responsibility for the expected plan liability. The trust pays the share of benefit payments actually funded by plan assets and employer liability. The balance is paid by the revolving funds.

Pension benefits for vested employees under defined benefit plans are guaranteed by the PBGC. The limitation on insured benefits under single employer plans is the lesser of 100 percent of the employee's wages or $1,517 a month. The dollar amount is adjusted annually to reflect changes in the Social Security contribution and benefit base.

B. Multi-Employer Plans

For multiemployer pension plans, the PBGC insures plan insolvency rather than plan termination. Financially troubled multiemployer plans may reorganize and adjust benefits under regulations of the PBGC which may extend loans to enable the plans to continue paying benefits.

Different benefit guaranty levels exist for participants in multiemployer pension plans. As a result of the Multiemployer Pension Plan Amendments Act of 1980 (Public Law 96-364), only the first $5 of the monthly benefit accrual rate is 100 percent guaranteed for each year of a participant's service, and 75 percent of the next $15 of basic monthly benefits is guaranteed. (The 75 percent guaranty is reduced to 65 percent for plans that do not meet specified funding requirements.)

Financing

The PBGC is required by ERISA to be self-supporting. Sources of financing are insurance premiums from on-going defined benefit pension plans, assets from terminated plans, investment income and employer liability. Any change in the PBGC's insurance premium rate for single employer pension plans must be approved by a joint resolution of Congress. The PBGC may increase the premium rate for multiemployer plans up to certain limits imposed by law. The financial structure of PBGC's programs includes both revolving and trust funds, borrowing authority, and other sources of income.

A. Revolving Funds

Four revolving funds are employed to insure basic and non-basic pension plan benefits. One fund is used in connection with the basic benefits and contingent liability insurance programs related to single employer plans. A second fund is used in connection with the basic benefits and contingent liability insurance programs related to multiemployer plans. A third fund is associated with non-basic benefits insurance programs related to single employer plans. A similar fund, the fourth revolving fund, is used in connection with non-basic benefits insurance programs for multiemployer plans.

B. Trust Funds

(1) *Plan Assets.* The assets of plans for which PBGC has become trustee are the primary source of funding for the trust fund.

(2) *Employer Liability.* An employer sponsoring a covered pension plan that terminates with insufficient assets to pay benefits is liable for up to 30 percent of the employer's net worth in the case of single employer plans, and in the case of multiemployer plans, an amount equal to an employer's share of the plan's total unfunded vested liability determined under the basic rule or one of the alternative rules which the plant may adopt.

(3) *Investment Income.* Assets of plans and employer liability collections are invested in a diversified portfolio of private and public sector securities to realize the highest possible rate of return consistent with an appropriate level of risk for the type of program administered.

C. Sources of Income

(1) *Insurance Premiums.* The principal source of revenue for the plan termination insurance program is premiums required to be paid by ongoing covered plans. The PGBC is required to prescribe insurance premium rates and coverage schedules to provide sufficient revenues to carry out its title IV functions, including the payment of guaranteed benefits and administrative expenses. Premiums for each participant in a single employer plan are set at $2.60. Multiemployer plans are assessed a per capita premium rate beginning with $1.00 increasing to $1.40 for the first four plan years beginning after September 26, 1980; $1.80 for the fifth and sixth plan years; $2.20 for the seventh and eighth plan year; and $2.60 for the ninth and succeeding plan years.

D. Borrowing Authority

In addition to the premium and investment incomes which are generated for the revolving funds, the PGBC is authorized to borrow up to $100 million from the United States Treasury to carry out its responsibilities.

Termination insurance programs cover 33 million participants and beneficiaries in defined benefit pension plans.

TABLE 1.—PBGC BUDGET AUTHORITY AND OUTLAYS

[In millions of dollars]

	Fiscal years—				
	1980	1981	1982	1983	1984 est.
Federal outlays	−27	−29	−67	−10	−17
Budget authority	0	0	0	0	0

Source: Budget of the United States, Appendix, Fiscal Years 1982. 1983.

TABLE 2.—PBGC TRUSTEESHIPS

Recipients	1979	1980	1981	1982	1983
Plan in PBG trusteeship	389	509	660	780	894
Participants with guaranteed benefits in trusteed plans	42,676	53,176	72,250	106,000	123,000
Potential plan trusteeships pending	259	169	132	134	130

Source: Pension Benefit Guaranty Corporation, Office of Financial Operations.

TABLE 3.—STATUS OF CORPORATION FUNDS[1]

[In millions of dollars]

	Fiscal year—				
	1981	1982	1983 (estimate)	1984 (estimate)	1985 (estimate)
Corporation liabilities under terminated plans:					
Net liability incurred—terminated plans	241.4	537.4	634.2	739.4	851.1
Provision for pending terminations	65.6	48.0	67.0	67.0	67.0
Other	18.7	20.6	23.0	43.3	38.4
Total	325.7	606.0	724.2	849.7	956.5
Assets of Trust Funds:					
Investments (and cash)	213.0	333.1	498.3	579.5	666.0
Due from PBGC	293.2	587.4	703.2	808.4	920.1
Due from employers	49.8	62.9	[2] 81.4	[2] 82.0	[2] 82.0
Assets of terminated plans	85.7	126.5	113.5	115.0	115.0
Other	12.7	12.6	69.0	69.0	69.0
Total	654.4	1,122.5	1,465.4	1,653.9	1,852.1

[1] Details may not add due to rounding.

[2] Including estimates of pending terminations.

Source: Budget of the United States, Appendix, Fiscal Years 1983, 1984, 1985.

Section 4. Capital Construction Fund

LEGISLATIVE HISTORY

The Merchant Marine Act of 1936, as originally enacted, contained provisions providing preferential tax treatment for shipowners who establish Capital Construction Funds (CCF). Numerous amendments to the provisions have been adopted over the years. In 1970, the Merchant Marine Act was amended to expand the coverage of the provisions of a Capital Construction Fund and to lay out more specifically the tax treatment under these provisions. (Prior to 1970, the tax-deferred construction fund was available only to U.S. ship operators in subsidized foreign trade; the 1970 amendments extended the use of the provisions to operators in unsubsidized foreign trade as well and, in addition, to operators in the Great Lakes trade, the non-contiguous domestic trade—such as that with Alaska, Hawaii, and Puerto Rico—and in the fisheries of the United States.) Under the procedural rules adopted by the House in 1974 (H. Res. 988) which specifically established the jurisdiction of each House committee, it is clear that jurisdictional responsibility for the tax aspects of Capital Construction Funds fall within the jurisdiction of the Committee on Ways and Means.

GENERAL EXPLANATION

Any citizen of the United States owning or leasing one or more eligible vessels may enter into an agreement with the Secretary of Commerce to establish a Capital Construction Fund with respect to any or all such vessels.

Under the Capital Construction Fund provisions, any U.S. shipowner can defer the tax on income from the operation of "eligible vessels" if the shipowner deposits that income into a Capital Construction Fund established to accumulate funds for the acquisition (including construction and reconstruction) of "qualified vessels." Income from amounts deposited in a Fund are not taxed currently. In addition, no tax is imposed on amounts from the fund if the amounts are withdrawn to acquire a qualified vessel. (The tax is payable, with interest, from the date of deposit if the funds are used for any other purpose.) Earnings and profits of the firm are determined without regard to the Capital Construction Fund provisions. Excess accumulated earnings (for purposes of applying the accumulated earnings tax under Internal Revenue Code section 531) are computed without taking amounts in the fund into account. When withdrawals from the Capital Construction Fund are used to acquire, construct, or reconstruct a qualified vessel, the tax basis (for the purpose of determining the gain on the sale or depreciation deductions) of the vessel is reduced to the extent the cost of acquisition is attributable to tax-deferred income or gains deposited in the Fund or to the tax-exempt earnings of the Fund. Thus, the deferred tax will in effect be recaptured by the Federal Government over the recovery period of the acquired vessel as a result of its reduced basis for purposes of computing recovery allowances (unless, of course, those earnings are redeposited in the Capital Construction Fund for the acquisition of other vessels). For purposes of determining the amount of investment tax credit allowable for withdrawals from the Capital Construction Fund, Internal Revenue Code section 46(g) deems the amount of the qualified investment to be 50 percent of the withdrawal.

To be an eligible vessel (the earnings of which may be tax-deferred), a vessel (1) must have been constructed or reconstructed in the United States, (2) must be documented under U.S. law, and (3) must be operated in the foreign or domestic commerce or fisheries of the United States. Under present law, qualified vessels (those that can be acquired with amounts withdrawn from a capital construction fund) include vessels (1) constructed or reconstructed in the United States, (2) documented under U.S. law, and (3) operated in the foreign, Great Lakes, fisheries, or non-contiguous domestic trade (e.g., U.S. mainland to Hawaii or Alaska) of the United States.

The statutory provisions relating to Capital Construction Funds is located at 46 U.S.C. 1177.

The "Estimates of Federal Tax Expenditures for Fiscal Years 1983–88" (published by the Joint Committee on Taxation on March 7, 1982) estimates the loss of Federal revenue due to the deferral of tax on shipping companies as follows (millions of dollars):

	Revenue loss
Fiscal years:	
1983	30
1984	40
1985	40
1986	45
1987	45
1988	45

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